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MBA PROFESSIONAL REPORT

UNDERSTANDING THE REVOLVING DOOR PHENOMENON FOR RETIRED MID-GRADE MILITARY OFFICERS

December 2016

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This project uses DOD databases and previously gathered information to sample retired field grade officers and understand the revolving door. It recognizes the revolving door as an efficient way to maximize HC and SC return and the public perception as an unfair practice. Results indicate that the 30–40 percent recaptured retired officer HC tracks DOD civilian hiring trends and represents less than 2 percent of DOD new GS civilian hires annually. Retired officers tend to stay in their second career for at least 10 years. The project concludes that rehiring retired officers allows the DOD to maintain its operational focus. It recommends policy-makers continue the revolving door practice with safeguards in place to maintain transparency, equity, and oversight.

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LIST OF ACRONYMS AND ABBREVIATIONS

ACS	Advanced Civil Schooling
AER	Academic Evaluation Report
AGEAR	After Government Employment Advisory Repository
ALDS	Army Leader Development Strategy
ALRM	Army Leader Requirements Model
AWC	Army War College
BAH	Basic Allowance for Housing
BAS	Basic Allowance for Subsistence
CGSC	Command and General Staff College
DCPAS	Defense Civilian Personnel Advisory Service
DLA	Defense Logistics Agency
DMDC	Defense Manpower Data Center
DOD	Department of Defense
DOPMA	Defense Officer Personnel Management Act
EEF	Encyclopedia of Ethical Failure
GS	General Schedule
HC	Human Capital
HCI	Human Capital Investment
HCR3	Human Capital Recapture and Reuse Rate
HCX	Human Capital Exchange
IGF	Inherently Governmental Function
ILE	Intermediate Level Education
IRB	Institutional Review Board
JIIM	Joint, Interagency, Intergovernmental, and Multinational
LOE	Line of Effort
MERHC	Medicare Eligible Retiree Health Care
MIC	Military-Industrial Complex
MSPB	Merit Systems Protection Board
NCOs	Noncommissioned Officers
NOAA	National Oceanic and Atmospheric Administration

NPS	Naval Postgraduate School
NPV	Net Present Value
OER	Officer Evaluation Report
PCS	Permanent Change of Station
PDE	Personal-Event Data Environment
PPBE	Planning, Programming, Budgeting, and Execution
RIF	Reduction in Force
SC	Social Capital
TSP	Thrift Savings Plan
USD	Under Secretary of Defense

EXECUTIVE SUMMARY

As early as 1961, the Department of Defense (DOD) worried about public perceptions of military retirees seeking second careers as DOD civilian employees (Read, 2014). The revolving door, or more accurately, the Human Capital Recapture and Reuse Rate (HCR3) continues to be a third-rail issue in today's military. Traditional public policy debates frame the revolving door as an abusive double-dipping practice that must be stopped. Critics frequently cite instances like the Boeing tanker scandal, which traded personal favors and private sector jobs in return for Air Force contracts (Branstetter, 2005). Activist public policy groups use these scandals as a basis for recommending legislation to bar or delay military retirees from returning to the DOD as General Schedule (GS) civilians or DOD contractors.

Reliable data for this project was difficult to obtain. The project relies on data sets that potentially contained Personally Identifiable Information (PII). The authors spent a great amount of time and effort to eliminate any possible PII encounters. The project required legal review and Institutional Review Board (IRB) approval as non-human subjects research. Databases contained multiple data entries which required careful and time-consuming scrutiny to ensure data accuracy. Other federal agencies as well as state and local governments do not maintain retired military workforce data in a manner that was useful to the research team. Researchers were limited to studying the revolving door effects within DOD as a result.

This project explores HCR3 in the DOD from 2006 to 2016. It looks at mid-grade (O-4 to O-6) officer retirement and corresponding civilian hiring data from the Defense Manpower Data Center to understand the HCR3 from a public policy perspective. These officers possess significant human capital (HC) and social capital (SC) by the time they retire. They also tend to retire from the military during their peak earning years and engage in some form of second career. This MBA report attempts to gauge the revolving door rate and its effect on the DOD's efforts to preserve human and social capital.

This project seeks to answer the following questions:

- How do retired military second careers tend to be framed in public discourse, and how should we understand them?
- What recognizable HC investments does the DOD make over the course of a typical officer career, and what use is the DOD HC investment to second career employers?
- How large is the revolving door effect for O-4 to O-6 officers, and what specifically can be learned about it by examining it for this officer group?

As the DOD places an increased emphasis on maintaining a smaller, more highly skilled workforce, the revolving door and resulting HC and SC preservation will become more important and relevant. This project uses previously gathered information and statistical analysis of DOD databases to gather a representative sample of retired Army officers in paygrades O-4 through O-6 that have reentered federal service through the revolving door. This research attempts to accurately describe the "revolving door" phenomenon and describe its effect on HC investment. The intent is to understand the phenomenon from a public policy lens. It recognizes the value of the revolving door as a positive and efficient way for the DOD to maximize its HC and SC investments for a longer time period. It also recognizes the costs of the revolving door in the potential negative and deceitful practices that can come with hiring military retirees.

As indicated in Figure 1, the retired O-4 to O-6 Army officer HC preservation attributed to the revolving door varied between 28.37% and 48.41% from 2006 to 2016 (S. Seggerman, personal communication, October 12, 2016). At first glance this rate seems to have a great degree of variation. Some policy analysts may conclude that at the height of the Iraq and Afghanistan surges, retirees took advantage of their status to obtain lucrative second careers. It appears that the "good old boy" system may well be alive and functioning well. Policy analysts may argue that the large influx of recent retirees is therefore preventing highly qualified civilians from upward mobility in the DOD. They may also argue that the DOD is using unfair hiring practices to unfairly benefit veterans and retirees. When viewed independently, this perception may be understandable.

However, the HCR3 is compared against civilian new hire trends during the same timeframe, a different pattern emerges.

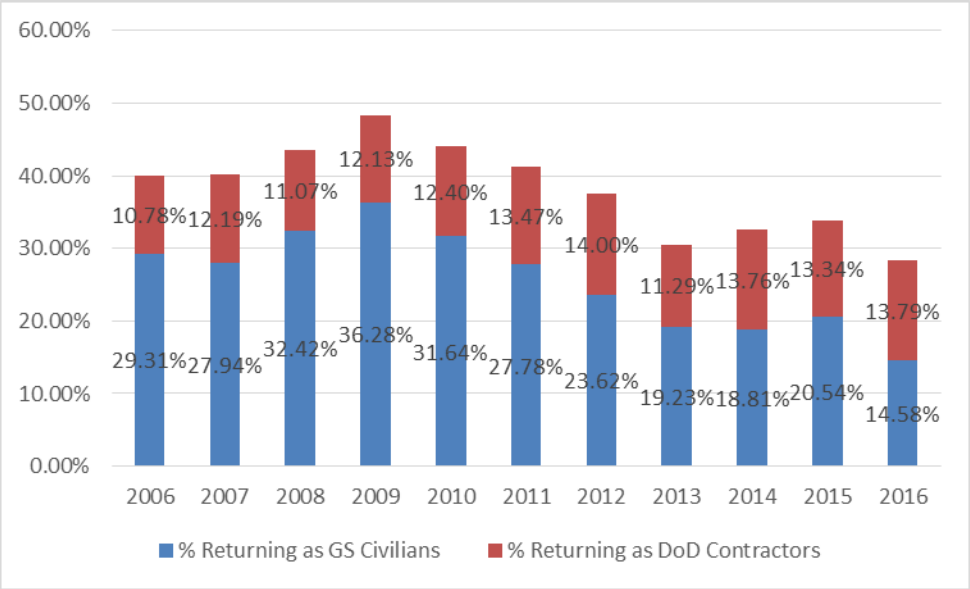

Figure 1. DOD HCR3 by FY and Recapture Type. Adapted from S. Seggerman, personal communication (October 12, 2016).

The DOD HCR3 has a .93 correlation factor to civilian hiring trends in the DOD. Thus, the HCR3 tracks the Army civilian new hires illustrated in Figure 2 each year with little variation in that timeframe. Army O-4 to O-6 retirees make up an average of 1.93% of Army civilian new hires each year (DOD, 2016). When viewed against total Army retirees and civilian new hire numbers, the O-4 to O-6 HCR3 is limited. This suggests that, contrary to popular belief, there may be no significant revolving door problem in the DOD. The problem may lie in misperceptions about the value of Human Capital (HC) and Social Capital (SC) recapture and reuse. Instead of the revolving door being an abusive practice, maybe it is actually an underutilized and valuable tool for the DOD to maintain its competitive edge in national defense?

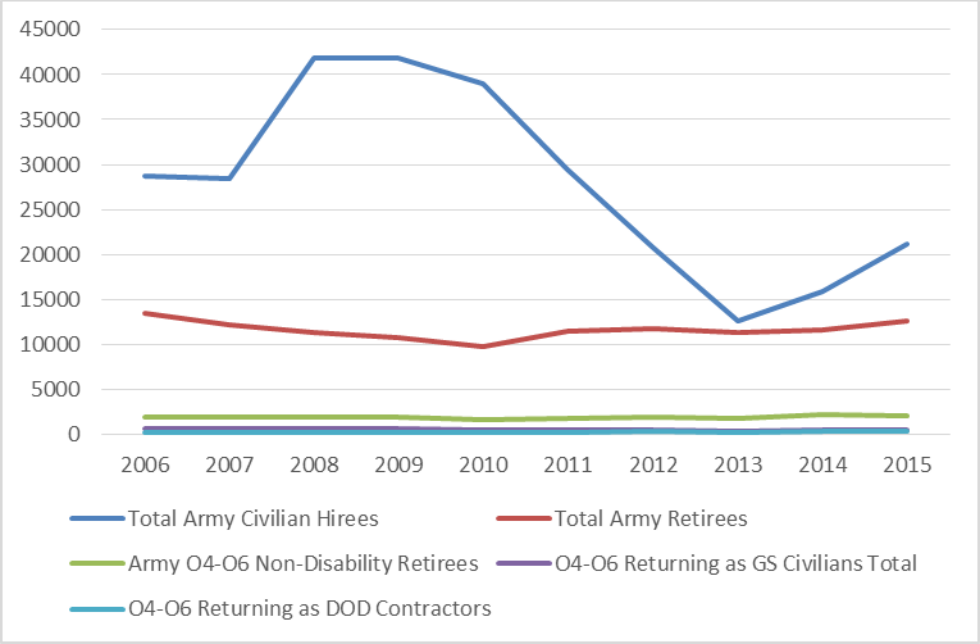

Figure 2. Army Human Capital Supply and Demand. Adapted from S. Seggerman, personal communication (October 12, 2016).

It is entirely possible that the DOD and public policy experts have not considered the full benefit of rehiring highly qualified military retirees in order to preserve the organizational effectiveness through carefully executed HC and SC recapture and reuse. The inherent value of SC to both the individual retiree and the losing organization may be overlooked when evaluating the effectiveness and value of maintaining the revolving door. Current initiatives to reduce or eliminate the revolving door may inadvertently cause the DOD to experience a greater HC crisis than necessary as the baby boom generation nears retirement and the DOD seeks to fill critical knowledge gaps.

This project recommends that policy-makers continue the revolving door practice and maintain the immediate return practice. Current practices to rehire retired officers immediately after they retire or while on terminal leave realizes a 30–40% HC recapture rate (S. Seggerman, personal communication, October 12, 2016). However, policy-makers need to balance this approach with safeguards in place to maintain transparency, equity, and oversight. To maintain equity, the immediate return practice should be modified to ensure retirees cannot start their new position until after terminal leave ends.

Retirees should also be subject to the same hiring standards as their civilian counterparts. Programs such as the After Government Employment Advisory Repository (AGEAR), which are designed to eliminate conflicts of interest need to be standardized, resourced, and enforced.

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I. INTRODUCTION

This chapter introduces the reader to the DOD need to maximize its human capital (HC) investments. It outlines the project purpose, its central questions, methodology, organization, benefits, and its focus population. The reader will be introduced to the basic framework used to study the revolving door phenomenon.

A. BACKGROUND

The Department of Defense (DOD) and each military service invest heavily in their service members. Officers, in particular, receive large human capital (HC) investments throughout their service. The Army, Navy, Air Force, and Marine Corps train and educate their officers across a vast array of career fields. The education and training investment differs between service and career specialties. Officers who reach the minimum 20-year retirement eligibility also obtain a large amount of on-the-job experience in a variety of working assignments. They serve in leadership, supporting staff, advisory, mentor, technical expertise, and general administration roles across their careers. They gain experience in interpersonal communication, employer–employee relations, performance evaluation, situation assessment, and planning for unforeseen or upcoming events. These experiences enhance an officer's knowledge and skill base and prepare him or her for future assignments with increased levels of responsibility and complexity.

Officers build significant professional and social networks over the course of their careers. Social Capital (SC) increases an officer's access to information and influence across the DOD. Even after officers retire, their influence can be felt through the relationships they built while serving. Many senior officers are hired by the DOD to serve as mentors to a new generation of leaders. This practice can be valuable, but it can also call into question DOD hiring practices (Gates, 2010).

Careers in the military can be significantly shorter than in the civilian world. The average military service length is under 10 years (Segal & Segal, 2004). Only about 17% of all military members reach the 20-year retirement requirement (Segal & Segal, 2004).

According to RAND, approximately 15.7% of the enlisted force and 54% of the officer force serves until at least 20 years of service (Dahlman, 2007). The short 20-year career and up-or-out promotion system make continued personnel investment costly to the DOD.

With a short timeframe to recoup its investment, the DOD constantly faces the threat of an HC deficit. As a government agency, the DOD is bound by public policy to invest in HC and SC to meet growing and changing demands. To do this, the DOD models its officer development according to Defense Officer Personnel Management Act (DOPMA) prescriptions and other legislation (Rostker, Thie, Lacy, Kawata, & Purnell, 1993).

Like the rest of the federal government, the DOD civilian workforce is aging. Forty-five percent of the civilian workforce across the federal government is over 50 ("Office of Personnel Management [OPM]," 2016). Likewise, the OPM also reports that 46.46% of the DOD civilian workforce is over 50. To complicate matters, the average age for a DOD civilian to retire was 61.16 in 2015 (Defense Civilian Personnel Advisory Service, 2015). This means that 46% of the DOD civilian workforce may retire within the next 11 years. Managing this challenge has become a significant priority to strategic leaders. Most officers who retire do so in the O-4 to O-6 pay grades after a minimum of 20 years of service. On average, officers retire at 47.9 years of age with 23.6 years of service (DOD Office of the Actuary, 2016). Retirees offer the DOD an immediate labor pool with experience, knowledge, and a valuable social network. In 2015 alone, 8,474 O-4 to O-6 officers retired from the military (DOD Office of the Actuary, 2016). That same year, 22,911 civilians retired from the DOD (Defense Civilian Personnel Advisory Service, 2015). Maximizing retiree re-hiring can give the DOD access to an experienced and talented labor force and help delay or minimize the pending DOD retirement crisis.

Many mid-grade retired military officers pursue a second career after they retire from the military. Their experience, talent, and professional networks make them sought after in both the public and private sectors, which creates an opportunity to capitalize on their HC and SC. Some retirees seek a career along the same line of work they retired from, while others venture out into new territory.

The DOD can leverage its HC and SC investments by re-hiring retired mid-grade military officers as civilians or DOD contractors after they retire. Veteran hiring preferences across the DOD and the federal government, along with veteran hiring initiatives across industry, have helped many military retirees transition to new careers in the civilian world. This practice of re-hiring retirees is referred to as the revolving door phenomenon.

Anecdotal stories of unethical conduct by revolving door military retirees have created a stigma about the revolving door (Rein, 2016a). In some instances, these stories contain an element of truth (DOD Standards of Conduct Office, 2016). However, they may not be representative of the revolving door population as a whole and undermine the value of the revolving door to the DOD because they only highlight the costs of the revolving door without recognizing its benefits. Isolated inappropriate conduct has the potential to adversely affect public perceptions about the revolving door, leading the public and perhaps lawmakers to misunderstand this phenomenon. This project addresses these issues.

B. PURPOSE

This MBA project attempts to identify post-military career path trends for officers who retired in grades O-4 through O-6. These officers possess significant HC and SC. They typically retire from the military during their peak earning years and attempt to engage in some form of second career. This MBA report attempts to gauge the revolving door rate and its effect on the DOD's efforts to preserve human and social capital.

As the DOD places an increased emphasis on maintaining a smaller, more highly skilled workforce, the revolving door and resulting HC and SC preservation will become more important and relevant. This project uses previously gathered information and statistical analysis of DOD databases to gather a representative sample of retired officers O-4 through O-6 that have reentered federal service through the revolving door. This research attempts to accurately describe the "revolving door" phenomenon and describe its effect on HC investment. The intent is to understand the phenomenon from a public policy lens. It recognizes the value of the revolving door as a positive and efficient way

for the DOD to maximize its HC and SC investments for a longer time period. It also recognizes the costs of the revolving door in the potential negative and deceitful practices that can come with hiring military retirees.

C. PROJECT QUESTIONS

This project attempts to answer the following questions:

- How do retired military second careers tend to be framed in public discourse, and how should we understand them?
- What recognizable HC investments does the DOD make over the course of a typical officer career, and what use is the DOD HC investment to second career employers?
- How large is the revolving door effect for O-4 to O-6 officers, and what specifically can we learn about it by examining it for this officer group?

D. METHODOLOGY

This report uses descriptive analysis to illustrate the current mid-grade officer revolving door size, shape, and impact on the DOD. It uses historical analysis from the 2006 to 2016 period to show the revolving door effect for O-4 to O-6 officers. It describes the revolving door frameworks in terms of perceptions in the public and private sectors, as well as detailing officer career progression, retirements, and some aspects of DOD HC investments. Finally, it uses statistical analysis to demonstrate retired mid-grade officer second career trends and to identify inferences that can be made about the usefulness of the revolving door impact on increasing the returns to DOD HC investments.

E. ORGANIZATION

Chapter I is an overview of this MBA professional report and lays out the research roadmap. It provides broad-brush information to open the report and set the stage for readers.

Chapter II details current military retirement plans and compares them to civilian retirement plan trends. It illustrates frameworks for revolving door perceptions in the

public and private sectors. It draws heavily from journals and news media sources to understand the public perception of the revolving door practice. It also draws from internal government reports to illustrate the perceived problems with and fixes to the revolving door.

Chapter III describes the public policy perspective and outlines aspects of the generic and specific HC investment that the DOD makes in each officer. It highlights the HC and SC gained by organizations that hire retired military officers and details the investment amount that these organizations avoid by hiring experienced officers. It also maps some specific military and civilian HC connections to illustrate the value of hiring retired military officers.

Chapter IV uses DOD databases to analyze mid-grade officer retirement trends. It analyzes the retiring mid-grade officer workforce and the revolving door return effect to the federal civilian workforce. It analyzes the average second career type and length to provide a level of understanding to the true size and shape of the revolving door for the federal civilian workforce

Chapter V discusses project findings and draws conclusions from those findings. This chapter offers insights found from research results detailed in Chapter IV.

Chapter VI proposes public policy recommendations. It also details project limitations and offers areas for future research.

F. PROJECT BENEFITS

The primary object of this project is to understand the nature and demographics of the revolving door phenomenon and its impact on DOD skills retention. Its secondary benefit is to reframe the revolving door from a negative double-dipping scenario to a positive tool to leverage prior DOD HC investments.

G. PROJECT FOCUS POPULATION

This research focuses on mid-grade retired Army officers. It did not look at trends in other services and did not include members of the reserve forces. It focuses specifically on the non-disability retired population. Army trends appeared to

approximate trends for other services during the 2006 to 2016 timeframe. The authors used Army data as a representative sample for DOD revolving door statistical trends.

II. LITERATURE REVIEW: HOW RETIRED MILITARY SECOND CAREERS TEND TO BE FRAMED

This chapter explores the revolving door phenomenon from the perspectives of the public, military retirees, and Congress. These three frameworks provide an insight into the public policy debate surrounding the revolving door.

A. PUBLIC PERCEPTIONS: A GENEROUS PUBLIC AND DOUBLE-DIPPING AS A RETIREMENT ABUSE

Public perception often frames the revolving door as a negative practice. Civilians often frame military retirements as being unsustainable and out of touch with private sector expectations. They also look at highly publicized ethical failures and hiring preferences as barriers to civilian employee advancement. This section explores these issues in some depth.

1. Military Retirement: A Way-Too-Generous Defined Benefit Plan

The DOD Defined Benefit Retirement Plan looks increasingly generous and unsustainable in comparison to civilian sector retirement plans largely based on employee and employer contributions. As detailed in Appendix A, based on a discount factor of 4%, under the Traditional, High-3, and REDUX Retirement Plans, a retiree can expect to receive a retirement valued from $1,015,800 to $2,496,352 with no required financial input from the service member. This is in stark contrast to typical civilian retirement plans, which increasingly do not include a Defined Benefit Plan. Instead they rely solely on employee contributions and employer matching funds to a 401(k) or 403(b) retirement savings account.

In addition, service members are able to save up to $18,000 per year from their base pay in the Thrift Savings Plan ("Thrift Savings Plan [TSP]," 2016). If the service member makes the maximum contribution, he or she will add between $360,000 and $540,000 in a 401(k) type fund to add to their Defined Benefit Plan. This is in stark contrast to the average American, who may be offered an employee and employer contribution plan. By comparison, in 2016, the average baby boomer had $132,000, the

average Generation Xer had $61,000, and the average Millennial had $25,000 saved for retirement (Transamerica Center for Retirement Studies, 2015).

Finally, active duty military retirement plans begin payout immediately after retirement. Individuals as young as 38 may begin drawing a retirement check for the remainder of their life. This contrasts civilian retirement plans, where penalties apply for taking payouts before age 59½. For those who had the opportunity to join the military but declined, immediate retirement benefits for people who retire from the military seem extremely generous. This sense of retirement security for military retirees creates a degree of jealousy for military retirement benefits.

2. Second Career Ethical Failures

Stories abound wherein a military officer retires from service, gets a high-paying job with a defense contractor, and uses that position to influence military procurement dollars. One of the most famous cases of revolving door ethical failures was the Boeing tanker aircraft scandal in the late 1990s and early 2000s. In this case, the second highest Air Force Acquisition official steered contracts and profits to Boeing in return for post-government employment, money, and family favors (Branstetter, 2005). The tanker case is one of the most recognized DOD revolving door ethical failures. It is the "poster child" for second career abuses by DOD personnel.

The DOD Encyclopedia of Ethical Failure (EEF) is updated annually and lists over 170 pages of ethical failures by DOD personnel or retired personnel. In one EEF-cited event, a former lieutenant colonel, along with several active duty officers and civilians, conspired to rig construction bids so that a single contractor won continually. In exchange, they received money, cars, future employment offers, and other forms of compensation (DOD Standards of Conduct Office, 2016, p. 87). In another situation, an officer who had been in charge of hospital contract award and administration retired and went to work for a hospital services contractor. That officer then submitted a proposal for the same services as a company representative, giving them an unfair advantage in procurement (DOD Standards of Conduct Office, 2016, p. 148).

Newspaper headlines like "Veterans Caught Triple-Dipping on Benefits" from *The Washington Times* and blog posts by pension watchdogs do not help public perceptions of military retirees (Dinan, 2014). They contribute to a narrative that military retirees receive lavish benefits not available to the general public. According to one online forum regarding military retirees, two respondents had the following to say about their retired military coworkers during the 2013 sequestration furloughs:

- There are several military retirees in my section, some officers. I think it's kinda BS that they're able to double dip like that. Since everyone flips out at the mention of changing military retirements, it would make sense to look at civilian retirement next.

- The retired military guys in my office are actually enjoying the Furloughs b/c they have another fat check from Uncle Sam coming in. ... what do they care. These are the same guys that scoff at people getting welfare and other social programs, but take a hard look in the mirror b/c your abusing the system and your part of the problem. I know a guy tripple dipping ... collecting a disability check as well from the VA for sleep apnea. CLaims it was caused by the military ... maybe its caused bc your [sic] a fat slob and you dont take care of yourself ... but enjoy those 3 check your collecting [sic]. ("Eliminating Civilian Pensions," n.d.)

Perceptions such as these illustrate a general discontent with military retirees in the federal workforce by their non-retired civilian counterparts.

3. Favoritism: Veteran Preference Rules

Some federal and DOD civilian employees complain of improper hiring advantage for veterans and military retirees since they do not always undergo the same type of competitive hiring practices civilians undergo. Under the Veterans Recruitment Authority (VRA), veterans can be appointed to GS-11 or below positions without competition. The Merit Systems Protection Board (MPSB) noted that in FY2010, 5% of federal government external hires were executed under VRA. The percentage within the DOD was even higher at 7% (Read, 2014). In 2014, the MSPB reported that the VRA is an advantageous avenue to hire veterans quickly. The MPSB also noted that the VRA "offers so many opportunities for perceptions of improprieties—and those perceived

improprieties appear particularly serious because of the non-competitive nature of the authority" (Read, 2014, p. 17).

B. RETIREE PERCEPTIONS: REVOLVING DOOR AS A TOOL

Retirees view the revolving door from a much different perspective than the general civilian population. They tend to view the revolving door as a way to continue public service, leverage their HC, and pursue a full second career. This section explores the revolving door from the perspective of military retirees.

1. Continued Service

Military retirees have spent at least two decades of their working life serving the public. Some may wish to continue serving the United States in a civilian capacity.

This project could not locate a significant amount of readily available recent exit data for military retirees from reliable sources. In the 2014 Defense Manpower Data Center (DMDC) Status of Forces survey to active duty members, only 10% of O-4 to O-6 respondents answered questions about their plans after retiring. The 10% that did respond in the DMDC survey indicated that 19% of O-4 to O-6 respondents planned to retire, 20% planned to take extended time off before starting work or school, and 73% indicated that they planned on being employed full-time within six months of retiring (Defense Manpower Data Center [DMDC], 2014).

A 2000 DMDC survey asked respondents about their reasons for joining the National Guard after active duty. Sixty-six percent of separating officers cited a desire to continue to serve the United States (Hoover, Randolph, Elig, & Klein, 2001). The 2000 exit results do not elaborate on reasons for returning to federal service as a civilian. However, 8% indicated they intended to return to federal service as a civilian after they retired. A reasonable inference is that they desire to continue to serve. Mid-grade officer retirees have given 20 or more years of their lives in service. Some may simply desire to continue serving in any way they can because of the non-pecuniary benefits of serving (personal desire, family tradition, social prestige, and so on).

2. Human Capital Leveraging

Many military retirees have DOD-specific and general skills that make them highly employable by the DOD after they retire. Acquisition officers have an intricate inside understanding of how the DOD develops and procures materiel solutions. Planning officers understand how the DOD executes the Planning, Programming, Budgeting, and Execution (PPBE) process. This knowledge and skill set is expensive and time-intensive to develop. It benefits the DOD to capitalize on these skills as much as possible to maintain its institutional knowledge base. At the same time, DOD retirees offer these skills with no additional training, therefore enabling the DOD to avoid training and education costs.

Unlike other agencies, the DOD is legally barred from hiring retired military members for 180 days after their retirement date under 5 U.S.C. § 3326. However, since September 2001, this statute has not been in effect because of a presidential waiver due to a declared state of national emergency. This state of emergency has been renewed every year since its enactment in 2001. President Obama renewed the state of national emergency again in 2016 for an additional year (Obama, 2016). The 180-day retirement rule suspension has allowed the DOD to rehire retiring noncommissioned officers (NCOs) and officers immediately to fill open positions.

The 180-day waiting period, suspended by executive order since 2001, would be a disincentive for retirees to return to the DOD. With no cooling off period, retirees are better able to leverage their institutional knowledge and serve the DOD in a civilian capacity. They are able to use their existing social network to their performance advantage, also preserving institutional capability. They also remain knowledgeable in current DOD systems, trends, and procedures. By being immediately employable, a recent retiree can maintain his or her currency and relevancy as a DOD civilian.

The cooling off period does not apply to other federal agencies. Chapter III details the HC other federal agencies can capture by hiring a recently retired officer. Retired officers have a working knowledge of federal bureaucracies as part of their HC. During their careers, officers become familiar with operating in a Joint, Interagency,

Intergovernmental, and Multinational (JIIM) environment. After retiring, their knowledge of the interconnected nature of the federal government bureaucracy is valuable to federal agencies. Officers are experienced leaders. Mid-grade officers acquire significant time in leadership roles seldom given to civilians with similar career timelines. By returning to the federal government, retired mid-grade officers are able to monetize the knowledge and leadership skills they have developed.

3. Financial Incentive

One significant financial incentive for military retirees is the 1999 pay cap elimination. Military retirees are no longer subject to any form of pay cap as a result of their continued service as a civil servant. Prior to 1999, retired service members saw their pay capped at the federal government Executive Level V limit. The 2016 Level V pay is $150,200 per year. Retired mid-grade officers may receive between $40,632 and $98,550 per year in retirement alone.

Veterans and retirees can currently be appointed to grades up to GS-15 in the DOD with no waiting period. From FY2002 to FY2012, over half of recent retirees who returned to the DOD were re-hired as civilians in the GS-11 to GS-15 pay bands. GS-14 and GS-15 positions require approval at the Major Command (MACOM/MAJCOM) level (Read, 2014). Retirees can potentially command a starting salary from $51,811 to $102,646 in the GS-11 through GS-15 pay bands. If the pay cap were in place, a 30-year O-6 retiree who re-hires in the federal government as a GS-15 could potentially lose $50,996 per year in basic compensation alone.

C. CONGRESSIONAL PERSPECTIVE: CHANGING WITH THE TIMES

From time to time, Congress has modified public policy regarding military retirement and second career possibilities for military retirees within the federal government. This section explores the revolving door congressional perspective.

1. The Revolving Door and Punctuated Equilibrium

Trends in military retirement and the revolving door tend to move in one direction or another based on the national sentiment at the time. The military had no formal

retirement system until 1855 when the Navy instituted a policy to remove officers due to disability or other incapacitation (Under Secretary of Defense for Personnel and Readiness, 2011). No formal retirement program was in place for enlisted personnel until 1885, when Army and Marine Corps enlisted personnel could retire after 30 years of active service. Since 1855, the number of years required for military retirement has fluctuated from a high of 45 years in 1862 to a low of 15 years in 1935 (Under Secretary of Defense for Personnel and Readiness, 2011).

At the same time, life expectancy has continued to grow. A person born in 1900 could expect to live 49.24 years. That number grew across the 20th and early 21st centuries. In 2011, an individual could expect to live 78.71 years (Arias, 2015). An individual who retired from the military in the early years of military retirement could expect to live a much shorter life after retirement. Military retirement was designed to keep the force young and strong. Congress made consistent age limits a factor in military retirement from the start. Officers have historically been required to retire between the ages of 62 and 64 since 1855 (Under Secretary of Defense for Personnel and Readiness, 2011). However, retiring at a relatively young age meant many military retirees could seek second careers. Many of them would seek second careers in the federal government. To prevent violating the public trust, Congress enacted a series of laws designed to limit situations where military retirees, specifically officers, could enrich themselves at public expense.

a. 1964 Move to Eliminate Unfair Double-Dipping

The post–World War II Defense Department was a massive enterprise. From 1955 to 1965, total DOD uniformed service members declined slightly from 2.9 million to 2.7 million. Its civilian workforce during the same time declined slightly from 1.2 million to 1 million. Although this seems like a reduction over time, DOD employment numbers were much higher than pre–World War II employment numbers. In 1938, with World War II on the horizon, the War Department employed only 163,457 civilians and 322,932 uniformed service members (DMDC, 2001). Cold War commitments meant keeping a large standing military force that the United States had never needed before. Between

1955 and 1965, the total number of military retirees increased by 265.8% from 180,827 to 480,563. As a subset, officers saw a slightly smaller increase of 221.7% from 87,323 to 193,561 retirees (DOD Office of the Actuary, 2016). The large, long-term bureaucracy equated to a looming retirement boom.

The first 20-year retirees from World War II were beginning to retire, and concern began to grow about second careers as contractors in the Military-Industrial Complex (MIC), as well as inappropriately acquired second civil service careers. As early as 1961, the DOD was worried about public perception of military retirees in the revolving door (Read, 2014). The DOD recognized the need to maintain HC in the MIC. Deputy Secretary of Defense Roswell Gilpatrick issued a guidance memorandum in July 1961 establishing rules for employing military retirees in the DOD. This memorandum instituted a six-month cooling off period for retirees to ensure the DOD was getting qualified applicants for positions, not just well-connected recent retirees, meaning those with significant SC (Read, 2014).

In 1963, Congress held a series of hearings to modernize dual compensation and dual employment in the federal government. During the hearings, allegations surfaced of hostile work environments that favored military retirees, writing job descriptions so only retired military could apply, and eliminating civilian positions only to reinstate the position when the desired military members retired (Modernization of Dual-Compensation and Dual-Employment Laws, 1963). At the same time, the hearing reiterated the need to retain and attract qualified military retirees to fill civilian positions. The DOD needed a careful balance between experienced retirees and career civil servants.

After the 1963 modernization hearings, Congress echoed the Gilpatrick memo's intent when they passed Appointments of Retired Members of the Armed Forces to Positions in the Department of Defense, Public Law No. 88-448 in 1964. Under this law, retiring officers had to wait 180 days before being employed by the DOD. They were also subject to a salary offset. Under the offset, they would receive the first $2,000 of their annual retired pay and see a 50% reduction in the remainder of their retirement while they were employed as civil servants. They were also subject to a pay cap in exchange for

a second career. Retired military members were restricted from earning more than Level V on the federal executive pay schedule (Appointments of Retired Members of the Armed Forces to Positions in the Department of Defense, 1964). When they retired from civil service, they were eligible to receive both full pensions. At the time, this was seen as a fair compromise between excluding retired officers from federal employment and unfair hiring practices favoring military retirees.

b. 1990s Brain Drain and the Offset Elimination

The content of PL 88-448 remained largely unchanged until the 1990s. Military retirees accepted the retirement offset and a pay cap in exchange for a second career as a civil servant. The federal government experienced a large exodus of military retirees without a corresponding influx of civil servants during the healthy 1990s economy. Many retirees would pass up opportunities to work for the federal government after retiring from the military in favor of private sector employment or entrepreneurship. In response, in 1999 President Clinton eliminated the salary offset and pay cap for retirees. Retirees could now receive their full military retirement while pursuing a second career as a civil servant (National Defense Authorization Act for Fiscal Year 2000, 1999).

Certain elements of Pub. L. No. 88-448 still applied to military retirees. Their civil servant career was considered a fresh start. Military service was not computed as time served for retirement purposes as a civilian. They would also not be able to use their veteran status to place themselves higher on an order of merit list to avoid Reduction in Force (RIF) actions (Appointments of Retired Members of the Armed Forces, 1964). The 180-day cooling off period for the DOD was maintained. This move was supposed to increase the federal government's ability to maintain civilian personnel employment levels in a healthy economy.

c. 2001 and the 180-Day Cooling Off Period Elimination

The terrorist attacks on September 11, 2001, changed the attitude toward re-hiring military retirees in the DOD. The department experienced rapid expansion in personnel and funding over its 1990s levels. It needed experienced people quickly. The 180-day restriction in 5 U.S.C. § 3326 was lifted in September 2001, allowing military retirees to

immediately return to the DOD as civilians. This allowed the DOD to grow its civilian force quickly to meet its mission requirements. However, it also began to bring back a general feeling among career civilians that military retirees had an unfair advantage in the post-9/11 DOD.

According to the Merit Systems Protection Board, between September 2001 and January 2013, 41,630 military retirees returned to the DOD as civilians within 180 days of retirement. 51% of those retirees became reemployed by the DOD either before their official retirement or within 14 days of retirement (Read, 2014). This perception of military retiree entitlement grew to the point where the term "No Colonel Left Behind" entered the civilian workforce lexicon (Devadoss, 2014; Saynuk, 2016). Clearly, the DOD would have to address problems with its re-hiring of military retirees at some point in the future to address civilian workforce grievances.

d. Current Second Career Initiatives

In 2014, *The Washington Times* published a story detailing how President Obama's veteran hiring initiatives were creating a division among federal workers. The story included allegations of hiring unqualified veterans instead of qualified non-veterans as part of the federal push to lower the veteran unemployment rate (Rein, 2016b).

The 2014 Merit System Review Board report caused serious discussion within Congress about the state of hiring retirees in the DOD. The allegations of impropriety and the perceptions of favoritism caused a flurry of activity and follow-on articles by major news sources. The Merit System Review Board (MSRB) findings said that the "national emergency exception has essentially rendered the law meaningless in a post-9/11 world," and "the delegation and re-delegation of the waiver may be contrary to Congress' expressed intent and, when in use, may greatly weaken the law's effectiveness" (Read, 2014, p. 52). In June 2016, *The Washington Times* reported the U.S. Senate had voted to repeal the loophole that allowed military retirees to return to the DOD as civilians within 180 days (Rein, 2016a).

If signed into law, the Senate version of the National Defense Authorization Act (NDAA) for FY2017 will end the 5 U.S.C. § 3326 provision that allows retirees to return

to the DOD within 180 days under a declared state of national emergency (S. Rep No 114-255, 2016). The NDAA for FY2017 is currently pending review and has not been signed into law as of this writing.

2. Restoring Public Trust

Congress and the DOD are saddled with the task of restoring the public trust in the DOD. From the perspective of DOD civilians, watchdog groups, and Congress, many military retirees have breached the public trust. Table 1 illustrates some steps Congress and the DOD can take to remedy perceived trust violations by military retirees and retired mid-grade officers in particular.

Table 1. Public Trust: Violation-Remedy Matrix. Source: Allen & Braun (2013).

Component (Element)	Based on perceptions of:	Likely causes of violations	Remedy
Benevolence (affective)	Good will & Kindness	Civil-military cultural gap; Legitimate claims of victimization	Increased external control & monitoring
Integrity (cognitive)	Honesty & fairness; Adherence to commitments	Self-Serving or opportunistic behavior	Characterize the behavior as an anomoly; Create Organizational distance; or correct misperception/attribution of motive
Competence (cognitive)	Skills & Knowledge -especially in core functions	Failures	Acknowledge, then proactively & visibly take steps to correct
Predictability (behavior)	Repetitive precedent setting behavior	Inconsistent, contradictory or deceptive behavior	CANDOR- Immediately acknowledge and remedy inconsistent behavior; correct misperceptions, explain apparent incongruence

The MSRB report and recent news articles call into question all four elements of trust illustrated in Table 6. There may be legitimate claims of candidates who were denied or not allowed to compete for jobs in the federal government (the DOD in

particular) in favor of veterans and military retirees. Congress seems to be taking the first step to increase control over hiring and close the national state of emergency hiring loophole for retirees. If allegations of opportunistic behavior are true, as the MSRB survey indicates, the DOD should take steps to correct the behavior or invalidate it as an anomaly. If *The Washington Times* allegations of incompetent hires under veteran hiring initiatives are true, Congress and the DOD are taking the first steps to address the issue. The theme of improper veteran and retiree hiring seems to be repeating across decades. The same opportunistic hiring behaviors scrutinized in the 1960s seem to be under scrutiny today.

III. THE PUBLIC POLICY PERSPECTIVE: WHAT NEGATIVE PERCEPTIONS OF DOUBLE-DIPPING AND THE REVOLVING DOOR GET WRONG

Contrary to popular public opinion, it is entirely possible the revolving door offers the DOD a benefit not considered in many public policy circles. By using the revolving door, the DOD has an opportunity to increase the return on its HC and SC investment. This section explores the inherent value of HC and SC retention and reuse.

A. HUMAN CAPITAL RETENTION AND REUSE

According to Liebowitz (2004), in his book *Addressing the Human Capital Crisis in the Federal Government*, the four essentials in a Human Capital Strategy are

1. competency management, or what a workforce should know;
2. performance management, or how to gauge workforce performance when judged against competencies;
3. knowledge management, or managing institutional memory; and
4. change management, or knowing how to change institutional culture to achieve the desired ends. (p. 48)

The DOD capitalizes on the HC investment increases by placing officers in more complex roles with increasing responsibility levels. They are expected to have a more diverse range of competency and are rated against those competencies.

Each service approaches officer HC in a slightly different manner. This project uses Army HC investment (HCI) as its point of reference for illustrative purposes. The Air Force, Navy, and Marine Corps make similar investments in their officers in order to accomplish their individual missions.

1. General Human Capital

The Army uses the Army Leader Development Strategy (ALDS) illustrated in Figure 1 to develop its officer corps. The ALDS is how the Army addresses the four essentials in a Human Capital Strategy.

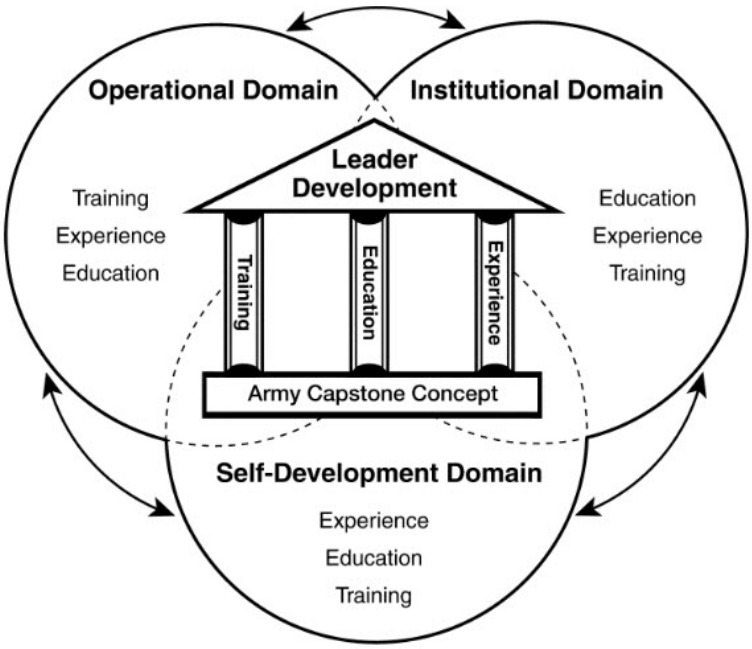


Figure 1. Army Leader Development Strategy. Source: Department of the Army (2013).

The ALDS reinforces the Army values, desired leadership attributes, skills, and actions in the institutional, operational, and self-development domains. Under ALDS, competency is assessed in the institutional domain by using Academic Evaluation Reports (AERs). Performance is judged in the operational domain using Officer Evaluation Reports (OERs.) With these documents, an officer is judged against the attributes and competencies outlined in the Army Leader Requirements Model (ALRM). Officers are evaluated by their superiors on whether they meet the “Be, Know, Do” aspects of the ALRM as detailed in Figure 2.

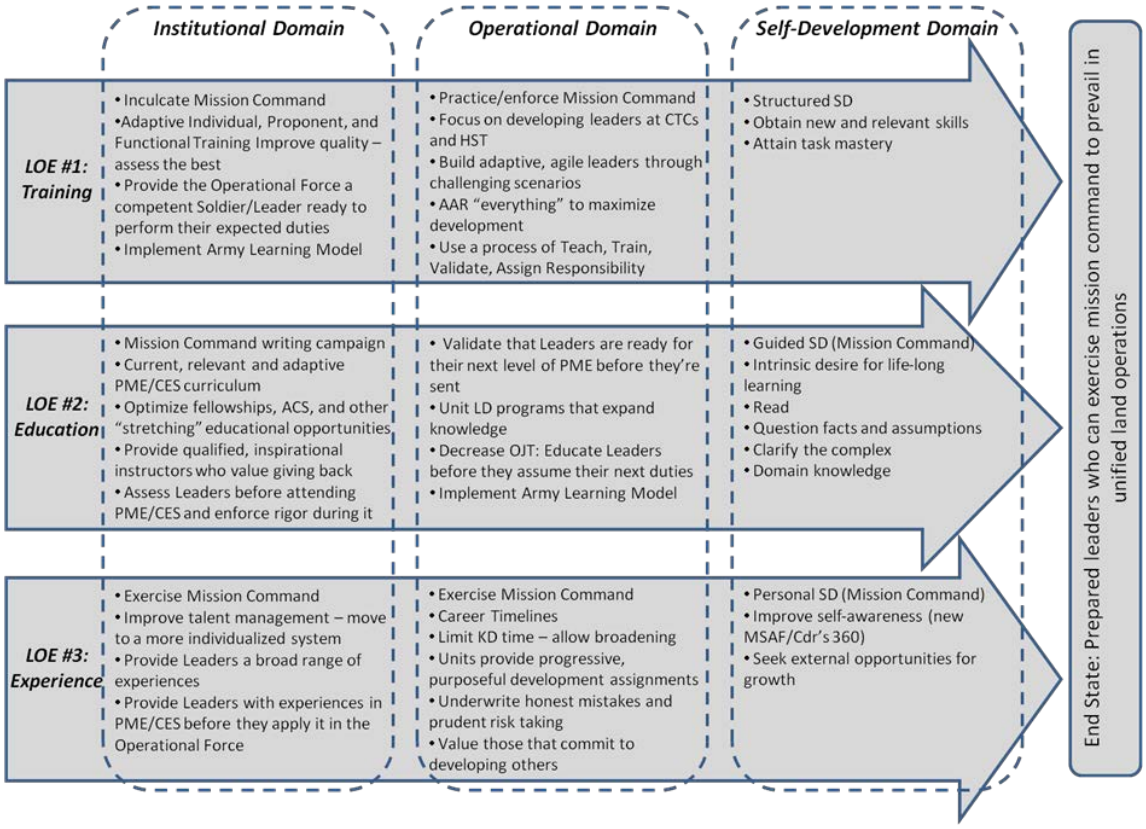


Figure 2. Army Leader Development Strategy Lines of Effort across the Institutional, Operational, and Self-Development Domains. Source: Department of the Army (2013).

The Army manages institutional memory by sending officers from the operational domain to the institutional domain at key points in their career. Officers can expect to attend the Captain's Career Course (CCC) and Intermediate Level Education (ILE) as they gain rank and experience. Their experiences leading platoons is reinforced at these schools. The individual gains tactical and organizational skills while the Army gets the benefit of collecting and disseminating lessons learned in the field. The Army also encourages institutional memory building in the self-development domain. Officers are encouraged to seek additional knowledge and publish their findings in Center for Army Lessons Learned (CALL) periodicals, Foreign Policy articles, and other locations.

Change management can be a bit tricky. The DOD and the Army are risk-averse bureaucracies. They use risk mitigation techniques in every planning and execution aspect. Effecting change within institutional boundaries can be difficult. However, many

change agents are able to recognize situations and apply more novel approaches to solve them. This is where the self-development domain comes into play. Understanding what leaders in the past and in other organizations did to solve problems helps to reframe organizational needs and solutions.

2. HC Investment Time, Timing, and Cost

The timing component of an officer's education is an important factor in their career. An officer will spend several years in an education or training environment. Army officers who retire at the career minimum of 20 years spend approximately 23% of their career in an institutional setting receiving training or educational HCI. This does not include time they may spend in an instructor role at a military school or training facility. Those roles fall under the experience portion of the Institutional Domain. Table 2 details the HCI in terms of investment months and years for minimum and average officer careers.

Table 2. Education and Training Time in a Minimum and Average Officer Career. Adapted from Department of the Army (n.d.-a), (n.d.-b), (n.d.-c), (2014).

Education Type	Time (mos)	Time (yrs)
Master's Degree	18	1.5
ILE Education	4	0.33
Total	22 Months	1.83 Years
Training Type	Time (mos)	Time (yrs)
BOLC	6	0.5
CCC	6	0.5
ILE Training	6	0.5
Misc. Training	12	1
Total	30 Months	2.5 Years
Total Education and Training	Time (mos)	Time (yrs)
Total Time	52 Months	4.33 Years

Training and education investment remains the same for officers who elect to retire at the average 23.6 year point. However, the HCI time remains identical. This way, the DOD has recaptured more of its HCI in the Operational Domain through experience. Figures 3 and 4 detail how the experience portion has increased from 68% to 71% over the course of the officer's career.

Figure 3. DOD HCI across Minimum Officer Career. Adapted from Department of the Army (n.d.-a), (n.d.-b), (n.d.-c), (2014).

Figure 4. DOD HCI across Average Officer Career. Adapted from Department of the Army (n.d.a.), (n.d.b.), (n.d.c.), (2014).

At approximately the average officer's retirement point, many will be faced with the prospect of selection for the Army War College (AWC) and promotion to the O-6 pay grade. This represents the carrot that the Army dangles in front of an officer to remain in service. When they choose to remain in service, they will see an increase in education and training HCI and will be able to retire in a higher pay band with a higher multiplier percentage. Table 3 illustrates the training and education time an officer will experience across their career.

Table 3. Education and Training Time in a Full Officer Career. Adapted from Department of the Army (n.d.-a), (n.d.-b), (n.d.-c), (2014).

Education Type	Time (mos)	Time (yrs)
Master's Degree	18	1.5
ILE Education	4	0.33
AWC Education	4.5	0.375
Total	26.5 Months	2.208 Years
Training Type	Time (mos)	Time (yrs)
BOLC	6	0.5
CCC	6	0.5
ILE Training	6	0.5
AWC Training	4.5	0.375
Misc. Training	12	1
Total	34.5 Months	2.875 Years
Total Education and Training	Time (mos)	Time (yrs)
Total Time	61 Months	5.08 Years

The Army receives more payback for officers that stay the additional time to reach the 30-year retirement point and have been promoted to O-6. As indicated by Figure 5, the experience portion of an officer's career rises slightly from 71 to 72%. AWC represents the final formal Professional Military Education (PME) input by the Army during their professional career. Any additional HCI comes in the form of experience in the Operational Domain. They may have additional tours of duty in the Institutional Domain; however, those roles will typically be as a senior administrator, not as a student or trainee.

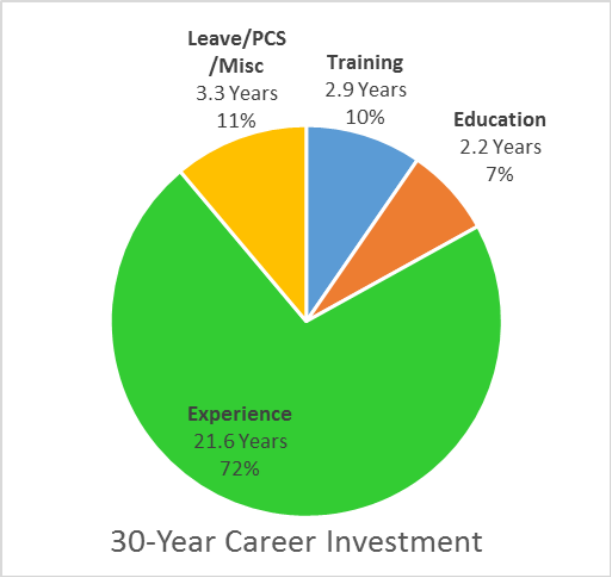


Figure 5. DOD HCI across a Full-Length Officer Career. Adapted from Department of the Army (n.d.-a), (n.d.-b), (n.d.-c), (2014).

As indicated by Figures 3, 4, and 5 and Tables 2 and 3, the DOD spends a great deal of time educating and training its officers to prepare them for the experiences they will encounter. They learn from their experiences as well, but those experiences are much harder to quantify than the education and training domains.

a. Education

As outlined in Table 4, the DOD spends a large amount of money to educate each officer. This education is timed to coincide with promotion and progression timelines to adequately fill the DOD's personnel needs. Each additional education period normally involves a prescribed additional service length obligation in a carrot and stick approach to force structuring.

Table 4. Typical Officer Education Investment. Adapted from Department of the Army (n.d.-a), (n.d.-b), (n.d.-c), (2014), and Roth (2014).

Civilian Education	Average Cost	Salary Cost	Total Cost
Bachelor's Degree	$47,816.18	0	$47,816.18
Master's Degree	$33,932.23	$235,121.25	$269,053.48
Professional Military Education	Education Cost	Salary Cost	Total Cost
ILE	$38,800.00	$57,991.33	$96,791.33
AWC	$59,750.00	$76,618.88	$136,368.88
Investment Timeline	Education Cost	Salary Cost	**Total Cost**
Minimum 20 Year Retired	$120,548.41	$293,112.58	**$413,660.99**
Average 23.6 Year Retired	$120,548.41	$293,112.58	**$413,660.99**
Maximum 30 Year Retired	$180,298.41	$369,731.46	**$550,029.87**

Illustrates the education level normally expected for an officer in a career.

Individual student load for ILE is $97,000 with 40% allocated to education and 60% allocated to training.

Individual student load for AWC is $119,000 with 50% allocated to education and 50% allocated to training.

Costs were derived from 2015 actual numbers given in the 2017 *Army Budget Request Data Book*.

By the time an officer retires from the military, the DOD has typically sent him or her through at least one or more of the following: a master's degree program, a fellowship, an exchange period with private industry, or professional military education in the form of ILE and/or AWC. By the end of a mid-grade officer's career, the DOD has invested an approximate average of $500,000 in the officer's education.

b. Training

As indicated by Table 5, by the time an officer retires, he or she will generally have gone through accession training, a basic instruction course, an advanced junior officer course, and a mid-grade officer course. Officers who are on track for promotion to O-6 can be selected for AWC.

Table 5. Typical Officer Training Investment. Adapted from Department of the Army (n.d.-a), (n.d.-b), (n.d.-c), (2014), and Roth (2014).

Training Type	Training Cost	Salary Cost	Total Cost
Accession	$18,854.91	$17,371.45	**$36,226.36**
BOLC	$6,690.08	$41,691.50	**$48,381.58**
CCC	$6,683.13	$69,760.50	**$76,443.63**
ILE*	$58,200.00	$86,987.00	**$145,187.00**
AWC**	$59,750.00	$85,132.08	**$144,882.08**
Investment Timeline	Training Cost	Salary Cost	Total Cost
20 Year Minimum Retired	$90,428.12	$215,810.45	**$306,238.57**
23.6 Year Average Retired	$90,428.12	$215,810.45	**$306,238.57**
30 Year Maximum Retired	$150,178.12	$300,942.53	**$451,120.65**

Illustrates the training level normally expected for an officer in a career.

Individual student load for ILE is $97,000 with 40% allocated to education and 60% allocated to training.

Individual student load for AWC is $119,000 with 50% allocated to education and 50% allocated to training.

Costs were derived from 2015 actual numbers given in the 2017 *Army Budget Request Data Book*.

Each training opportunity is designed to build on the last and prepare officers to serve at the next higher level. By the time a mid-grade officer retires, the DOD will invest between $306,238 and $451,120 in training the officer for future assignments.

c. Experience

Officers generally hold a variety of leadership and administrative roles over the course of their career. While individual services may have a somewhat defined career path for each of their career fields, individual officer experiences can be quite different. Regardless of career field, each officer is subject to the same pay and benefits system. Because experience can be difficult to quantify, this MBA report used officer salaries as a way to approximate the experience HC investment component.

Military careers follow a generally-prescribed promotion timeline. As depicted in Figures 6 and 7, over the course of a 20-year career, an officer who starts his or her career in the O-1 paygrade will complete it in the O-5 paygrade. Figure 6 depicts Army paygrade and rank equivalencies. An officer in the O-1 paygrade is a Second Lieutenant. An officer in the O-6 paygrade is a Colonel. Paygrades are used throughout this project to discuss the officer population within the Army and the DOD.

Figure 6. Army Officer Grades, Ranks, Symbols, and Abbreviations. Source: U.S. Army (n.d.).

If the officer's career stretches beyond the 20-year mark, he or she may retire as an O-6 up to the 30-year point. The typical career timeline for Army officers is depicted in Figure 7.

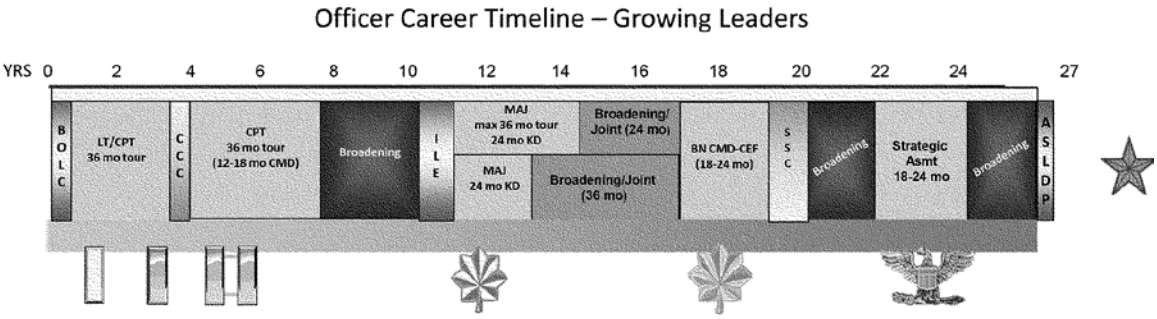


Figure 7. Officer Promotion and Professional Military Education Timeline. Source: Department of the Army (2014).

As Table 6 illustrates, in today's environment, an officer can expect to be promoted to the O-2 paygrade at approximately18 months, O-3 at approximately four years, O-4 at 11 years, O-5 at 18 years, and O-6 at 23 years of service. Promotion timing variations can occur based on individual performance and service requirements that can cause calculation adjustments. Average direct reimbursement rates on a per capita basis are calculated using the 2015 Military Composite Standard Pay and Reimbursement Rates from the Under Secretary of Defense (USD-Comptroller). The USD (Comptroller) data includes basic pay, retired pay accrual, Basic Allowance for Subsistence (BAS), Basic Allowance for Housing (BAH), incentive and special pays, Permanent Change of Station (PCS) expense, miscellaneous expense, and Medicare-Eligible Retiree Health Care (MERHC) accrual to arrive at the composite rate (Roth, 2014). This project used these figures to determine personnel costs across an officer's career as depicted in Table 6.

Table 6. Average Army Officer Career Pay at Minimum, Average, and Maximum Time Limits. Adapted from Roth (2014).

Military Pay Grade	DOD Annual Composite Rate	20 Year Career Minimum	Time In Grade	23 Yr 7 Mo Average Officer Career	Time In Grade	30 Year Career Maximum	Time In Grade
O-1	$83,383.00	$125,074.50	18 mos	$125,074.50	18 mos	$125,074.50	18 mos
O-2	$109,107.00	$272,767.50	2.5 yrs	$272,767.50	2.5 yrs	$272,767.50	2.5 yrs
O-3	$139,521.00	$976,647.00	7 yrs	$976,647.00	7 yrs	$976,647.00	7 yrs
O-4	$173,974.00	$1,217,818.00	7 yrs	$1,217,818.00	7 yrs	$1,217,818.00	7 yrs
O-5	$204,317.00	$408,634.00	2 yrs	$1,140,769.92	5 yrs, 7 mos	$1,021,585.00	5 yrs
O-6	$244,411.00					$1,710,877.00	7 yrs
Total Composite Compensation		$3,000,941.00	20 yrs	$3,733,076.92	23 yrs, 7 mos	$5,324,769.00	30 yrs

d. Putting it All Together

The DOD makes a significant investment in each officer. As indicated in Table 7, the total quantifiable HCI can range from $3.5 to $6 million for each individual. This all-inclusive approach is one way to frame officer HCI. Other methodologies may exist with different calculation factors. Regardless of the methodology chosen to depict officer HCI, the dollar amounts invested in each officer are large.

Table 7. Combined Monetized Education, Training, and Experience Human Capital Investments Made by the DOD. Adapted from Roth (2014).

Military Pay Grade	20 Year Career Minimum	23 Yr 7 Mo Average Officer Career	30 Year Career Maximum
Education Investment	$413,660.99	$413,660.99	$550,029.87
Training Investmentt	$306,238.57	$306,238.57	$451,120.65
Experience Investment	$2,785,130.55	$3,517,266.47	$5,023,826.47
Total Human Capital Investment	**$3,505,030.11**	**$4,237,166.03**	**$6,024,976.99**

The DOD continually makes this investment across the individual services. The expense seems extreme when considering the total number of officers across the DOD. However, this investment ensures that the DOD maintains an officer corps of highly educated, highly trained warfighting professionals.

3. Specific Human Capital

Each service maintains its own set of individual officer qualification requirements. The Army trains its officers in a variety branches and functional areas to fill its operational requirements. Branches serve general warfighter requirements such as armor, infantry, logistics, and engineers. Functional areas give the Army specific skill sets for specific needs. Some examples of functional areas include acquisition, foreign area officers, public affairs, and strategists (Department of the Army, 2014).

Both branches and functional areas make specific investments in developing officer HC. For example, armor officers are trained to coordinate moving mechanized formations and move to engage targets. Infantry officers are trained to coordinate large numbers of individual soldiers moving in different terrains. Logistics officers are trained to coordinate intermodal transportation. Engineers are trained in building and demolishing structures. Functional areas focus on specific skill sets. Acquisition officers are trained in program management and contract theory. Foreign area officers coordinate with the Department of State and are foreign military liaisons. Public affairs officers coordinate DOD actions and intent to civilian news media. Strategists develop high level plans and help craft public policy.

The individual HCI for officers can become very focused over a career. For example, an Army officer who starts his or her career in a petroleum unit may gain more energy experience as his or her career progresses. The officer may attend the Junior Petroleum Officer Course and the follow-on Petroleum Officer Course. As the 20-year point approaches, the officer may find him or herself leading a fuel battalion. As his or her career continues, the officer may provide strategic guidance to the Defense Logistics Agency (DLA) Energy Office. The Air Force, Navy, Marine Corps, and Army all have specialties where they direct specific HCI. Each service incorporates its standards, training, and education methods in a slightly different fashion. This specific HCI helps the DOD fulfill its mission requirements.

4. Social Capital/Networks

The saying “it’s not what you know, it’s who you know” becomes more relevant as officers progress in their careers. This saying alludes to the importance of social networks in promotion and progression. As an example, one co-author of this MBA report was hired for a position in a new organization because the hiring commander knew and contacted one of his previous bosses, who recommended him for the position. As officers are promoted in the DOD hierarchy, there are fewer people in their peer group. Their social circle gets smaller, but the influence of that circle grows as the peer group leads larger and more complex organizations. With a simple phone call to a friend, an O-6 can accomplish in hours or days something which might require an O-3 several weeks to accomplish by going through official bureaucratic channels.

The term Social Capital (SC) refers to the value generated by social networks (“About Social Capital,” n.d.). The network becomes more valuable to the organization and to individuals as they become more senior or their systems more complex. They are able to rely on their friends and contacts for expertise and advice, increasing information flow and reducing transaction costs to the organization (Smith & Lin, 2001). In turn, they offer their expertise and advice to their friends, who leverage their expertise to enhance their organization. The contact network they built enhances the capabilities of the organizations they work for by cutting red tape and increasing efficiency.

By the time an officer retires, their contact list has grown significantly from when they entered service as an O-1. When an officer enters service, they build bonds with their fellow lieutenants and ensigns and are able to exercise their SC across smaller organizations such as platoons and companies. When they retire as an O-4, O-5, or O-6, officers may have considerable influence across several organizations. They may have influence across battalion, brigade, or division levels depending on their position, reputation, and personal social network.

B. WHY FORMER MILITARY ARE WORTH MORE TO THE DOD THAN THEY ARE TO OTHER ORGANIZATIONS

Receiving entities benefit from the $3 to $5.3 million in DOD experience investment alone when they hire retired mid-grade officers. Receiving entities also benefit from additional DOD capital investment in the form of partially or fully funded advanced degrees and training seminars. In total, when an employer hires a retired mid-grade officer, they receive an individual who has received high degrees of education and training as well as 20 to 30 years of leadership experience.

1. Education

Receiving entities benefit from the education which the DOD pays for across an officer's career. Officers are required to hold at least a bachelor's degree by the time they are promoted to the O-3 paygrade (Department of the Army, n.d.-a). Approximately 40% of active duty officers hold a master's degree, and the percentage climbs as service length increases (DOD, n.d.-a). By hiring a mid-grade retired officer, organizations receive an individual who has been taught to be a critical thinker and who can focus on their job responsibilities instead of pursuing an advanced degree. This gives them an individual who has been exposed to a wide range of educational experience across several disciplines including leadership, ethics, business, administration, and economics. Even though a retiring officer may come to an organization with 20 to 30 years of experience, he or she likely have undergone some form of education within the previous five years. This is in contrast to many in the civilian workforce, who may enter federal service with a bachelor's degree but need to pursue additional education to further their professional career. They may require additional DOD tuition assistance or student loan repayment programs to advance. Retired mid-grade officers already possess an advanced degree and do not require additional DOD educational investment.

2. Training

Entities who hire retired officers receive a new employee who has been highly trained in a variety of areas. Retiring mid-grade officers undergo a wide variety of training scenarios. They constantly forecast requirements, plan upcoming events and

exercises, and run complex organizations in planned scenarios. Officers routinely train with other organizations, which requires communication, organizational skills, and an understanding of complex bureaucracies.

For instance, the Army is the executive agent for petroleum management. The Army trains a small cadre of officers in petroleum management and distribution. They sometimes send some of these officers to work with major petroleum companies in the Training With Industry (TWI) program. In this year-long program, the officer gains valuable knowledge in petroleum pipeline distribution and management. The Army can capitalize on this training for several years to incorporate industry best practices. After the officer retires, they can bring that same training experience with them and increase the value of a private firm. Whether an officer goes back into civil service, works for state or local government, enters the private sector, or begins a new venture as an entrepreneur, the receiving entity gains dramatically from the training and specific HCI by the DOD.

The Leadership-Technical Skills Framework in Figure 8 shows how the Army grows its civil servants to support the Army mission. This training model is used in conjunction with the Army Civilian Leader Development Training Model depicted in Figure 9 to help groom civilians for leadership roles in the acquisition community. Other civilian career fields have similar progression models that dictate the training, education, and experience needed for progression. The important note in Figures 8 and 9 is that civilians are not held to the same up-or-out standards as their uniformed officer counterparts.

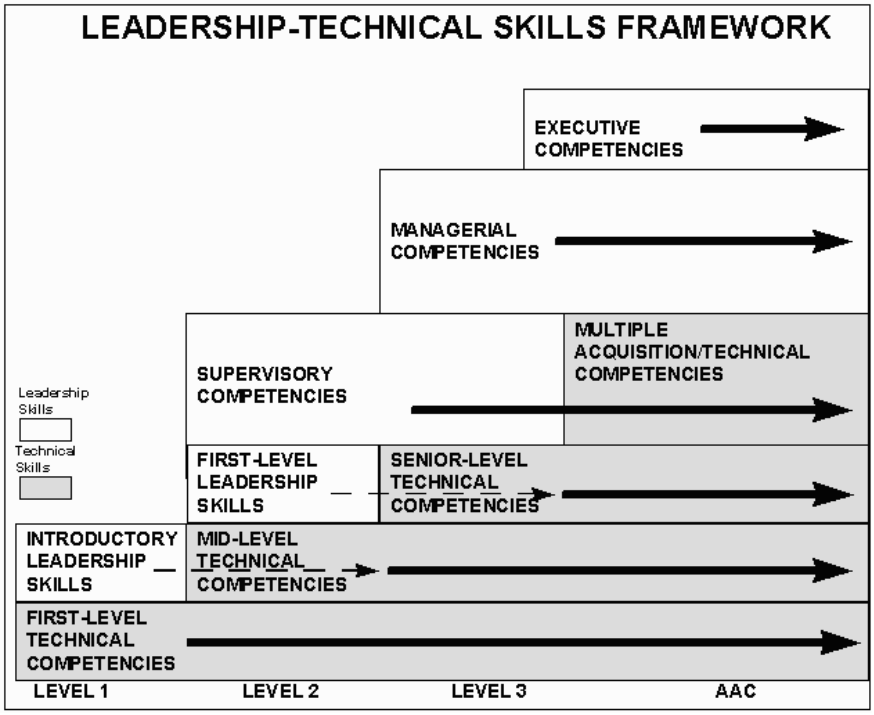


Figure 8. Army Acquisition Civilian Leadership-Technical Skills Framework. Source: Department of the Army (n.d.-b).

It is also important to note that officers are pushed to achieve career field certifications at a faster rate than their civilian counterparts. For example, officers enter the Army Acquisition Corps (AAC) as senior captains or junior majors. They may serve in a variety of positions for approximately seven to nine years before being considered for O-5 battalion command. In order to be considered for battalion command in the AAC, an officer must be an Army Acquisition Corps (AAC) member and Level III Defense Workforce Improvement Act (DAWIA) certified in at least one acquisition field. This is not required for civilian counterparts in the same timeframe.

3. Experience

Officers will have between 13.5 and 23.6 years of experience in a 20- to 30-year career. During this time, they are placed in leadership and management positions where they may not be the subject matter expert. They learn to rely on other people and coordinate across many organizations to complete their mission. They deal with managing their subordinates, peers, and superiors on a daily basis. They have to direct

their subordinates even in cases where the subordinate knows more than they do. They have to coordinate with their peers and get along with others to maintain a working organization. They have to manage their boss's expectations and solve their boss's problems before he or she is even aware there are issues.

DOD officer professional management emphasizes leadership while DOD civilian professional development focuses on technical expertise. Officers are placed in leadership positions for much of their careers. In contrast, their civilian federal service counterparts are brought into leadership positions slowly. Civil servant contract specialists follow the career progression model outlined in Figure 9. Civil servants may choose to stay in technical positions for their entire career and not pursue leadership roles.

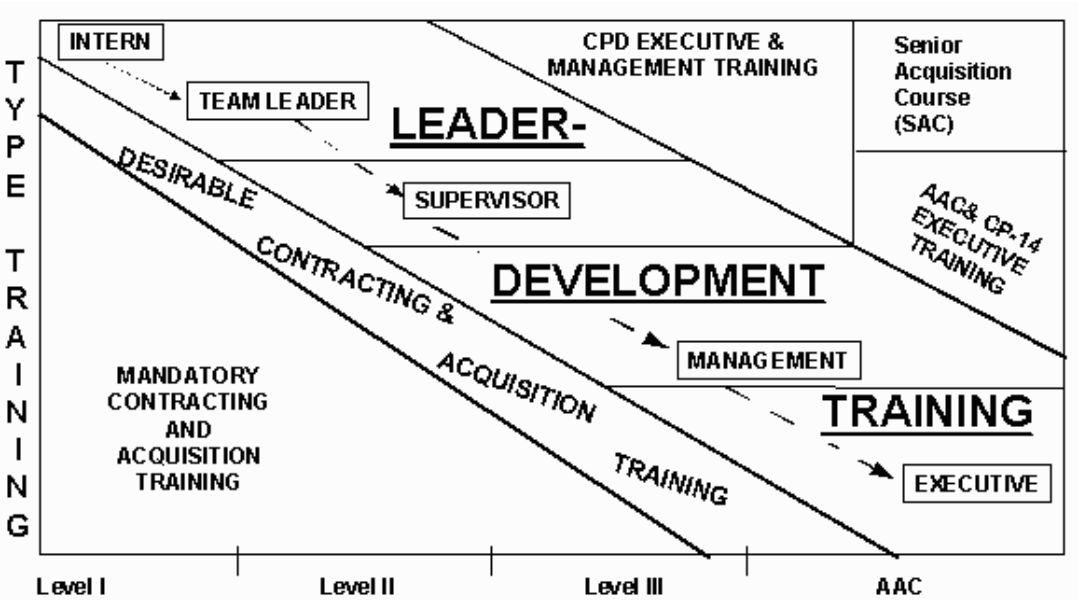


Figure 9. Civilian Contract Specialist Training Model. Source: Department of the Army (n.d.-b).

Retired mid-grade officers bring this experience to any future employer. Employers receive an individual who has years of managerial and leadership experience. They do not have to invest the time and money to develop these skills from within the

organization. The retired officer can also offer a fresh point of view that can help an organization define and achieve strategic goals.

4. Social Capital/Networks

Retired mid-grade officers bring a significant social network with them to a receiving agency. Officers build relationships within their career field, across their service, between services, across government agencies, and sometimes with private businesses while they are in uniform. By employing retired officers as civilians, the DOD is able to utilize their network and SC without having to rebuild the network with additional investment.

An officer's SC will be most valuable to the DOD and DOD contractors immediately after retirement. Both the DOD and DOD contractors can use an officer's SC network to reduce their transaction costs and minimize the loss of that officer in the uniformed force. Officers who decide to enter the DOD contractor employment can give their new employer access to individuals who may be in positions of influence or power. This may give their new employer a competitive edge in government procurement.

The officer's SC and network may be less valuable to other receiving entities. A private sector business with no DOD affiliation may have little use for the benefits of an officer's connections. The same is true of a state or local entity. These employers instead value an officer's general leadership experience, education, and training.

Entrepreneurial traits map well with general HC investment and resulting traits. However, an officer who pursues an entrepreneurial retirement can capitalize on his or her SC to maximize his or her own SC return as well if they launch an enterprise closely related to the DOD. New enterprises with little DOD applicability have less SC utilization.

5. Putting it All Together

Organizations may sometimes hesitate to hire retired mid-grade officers because they are concerned about whether they are a good fit for the organizational culture. However, prospective employers of mid-grade retired officers enjoy combined benefits of

highly-educated, highly-trained, and experienced individuals from the outset. They receive this with no investment on their part. The officer comes to them with education requirements complete. They come well trained. They come with decades of experience in leadership and supervisory positions. Retired officers offer employers a high degree of value. When the retired officer and the receiving organization match, the officer and the organization benefit.

C. SOME ILLUSTRATIVE EXAMPLES (MAPPING THE CONNECTIONS)

Retired officers may seek second careers in the federal government, state and local governments, as DOD contractors, private sector employees, or entrepreneurs. This section illustrates the HC and SC components receiving entities can capitalize on when hiring a retired mid-grade military officer. The authors used Army officers and their general related HC and SC to represent DOD HC investment in each officer. Other services have similar skill sets and their retired officers would expect to have similar HC and SC mapping results.

1. Civilian Federal Positions

The 2000 DMDC exit survey found that 8% of retiring officers intended to return to federal service as a civilian (Hoover et al., 2001). As far back as 1977, the return rate is estimated to be similar, at approximately 12% to 15% (Causey, 1977). Federal civilian positions utilize many of the same skills and value the influencing, operating, and improving actions in roughly the same manner the DOD does.

The accelerated rate for officer education, training, and experience leads to retired officers competing for higher level positions after retirement. Retiring officers who decide to reenter DOD service as a civilian are often hired into supervisory and leadership positions from GS-11 to GS-15. Between 2002 and 2012, 70% of retirees who returned to the DOD as civilians were hired in white-collar GS jobs; 52.3% of 180-day retirees during that same time were hired in the senior GS-11 to GS-15 positions (Read, 2014).

Mid-grade AAC officers have generally completed requirements for Defense Acquisition Workforce Improvement Act (DAWIA) Levels I, II, and III by the time they retire. They also have extensive leadership training and experiences. Because of this, many retiring AAC officers seek more senior acquisition and contracting positions compared to their civil servant counterparts who entered the acquisition career field at the same time.

Figure 10 indicates the skills and attributes a retired mid-grade contracting officer can offer the National Oceanic and Atmospheric Administration (NOAA) as a civilian GS-1102 contracting specialist. Similar positions are available in every department of the federal government that purchases supplies and services, including the DOD. In the case of a contract specialist, the most significant HCI transfer occurs in education, specialized training, and specialized roles. Acquisition officers are most likely to pursue this specific position.

If the position were within the DOD or a specific service, a gaining organization would benefit from the retired officer's SC as well as their HC. The retired officer in a highly technical field such as contracting would already know how the organization works and have an established social network. The organization as a team would function with minimal interruption if the retiring officer remained in place as a civilian with no interruption in service.

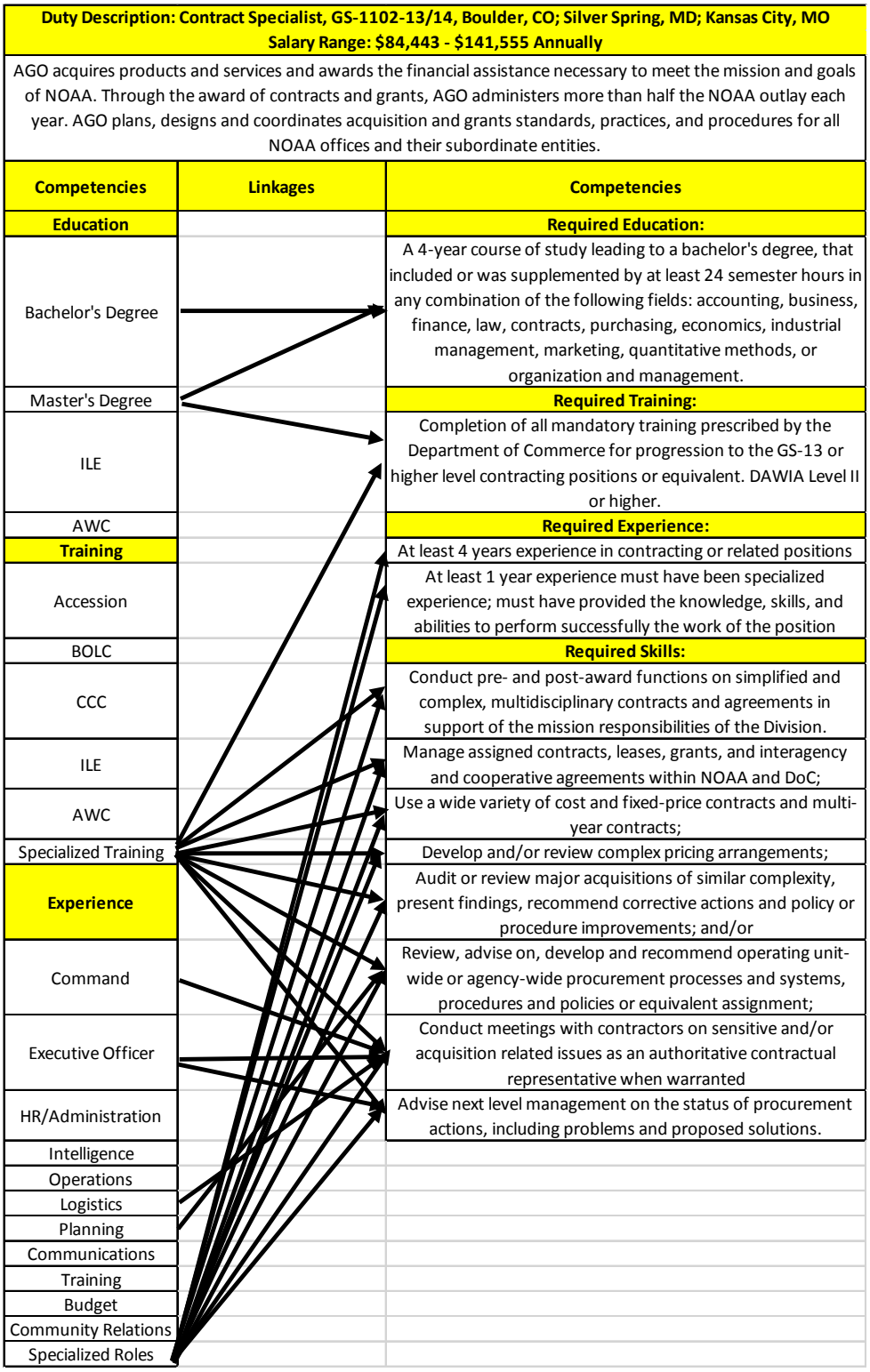


Figure 10. Army Competency Cross-Map to NOAA Contract Specialist Position. Source: Contract Specialist, GS-1102-13/14 (2016).

2. State and Local Government

State and local government bring their own unique requirements to the table for military retirees. The 2000 DMDC exit survey indicated that 7% of retiring officers intended to pursue a second career with state or local government (Hoover et al., 2001). Using the same basic "Be, Know, Do" framework, this project mapped officer HC to City of Houston job postings to illustrate commonalities. Figure 11 indicates some of the skills and attributes a retired mid-grade officer can offer city government. This mapping indicates that retiring mid-grade officers could be considered competitive for a $100,000 position directly after retirement based on their individual experience, training, and education.

As indicated in Figure 11, the general HC from training and education maps well to several desired qualifications in education, experience, and competencies, for the risk management position. The only significant qualification that an officer's HCI may not incorporate is the desire to hire someone with a degree in occupational safety or safety technology. However, the experience gained in risk identification and mitigation throughout a career may help a retired mid-grade officer obtain a position with the City of Houston as an assistant director of risk management.

State and local governments will be able to capitalize on the retiree HC but may have little use for the SC built by retired officers. The HC exchange that fostered organization cohesion in the military would not transfer easily to state or local government. This would not be the case if the hiring government agency is directly involved with military relations at a specific geographic location. The receiving agency could benefit more from a retired officer's SC if they are geographically or organizationally close to the retired officer's former military organization.

Duty Description: Assistant Director of Risk Management, Houston TX
Salary Range: $100,000 - $135,000 Annually

directs the management, planning, development, coordination, implementation, claim administration and operationEnsures compliance with all applicable Safety laws, current policies and programs while utilizing industry established best practices. Controls diverse activities of the City's Workers Compensation/Safety Program, including the third party administrator. Leads the development, design and implementation of Safety, Health and Worker's Compensation programs. The Assistant Director of Risk Management will be responsible for the success of the division to include the above as well as loss control, claims management, and loss prevention initiatives. This position will require a change agent who can identify barriers and lead corrective action while sustaining current performance and building future success.

Education	Linkages	Minimum Educational Requirements
Bachelor's Degree		Bachelor's degree in Business Administration, Public Administration or a closely related field.
Master's Degree		**Competencies**
ILE		Have expertise in interpreting and applying safety regulations to ensure compliance and accident avoidance
AWC		Possess superior verbal and written communication skills with the ability to adapt style and tone according to situation and audience.
Training		Solid level of business acumen, ability to demonstrate a clear understanding of the integrated relationships across city departments
Accession		Demonstrate a high level of planning and organizational skills
BOLC		Exhibit a customer focused approach
CCC		Be highly self aware, recognizing the impact of approach and behaviors on peers, direct reports, customers and other internal and external stakeholders
ILE		Act as an excellent manager of people, skilled in motivation and team development
AWC		Must have proven experience in managing/directing programs with emphasis on Workers Compensation and Safety programs.
Specialized Training		**Minimum Experience Requirements**
Experience		Seven years of administrative experience are required, with at least three of those years in a managerial capacity. A Master's degree may be substituted for two years of experience.
Command		**Preferences**
Executive Officer		Self-motivated professionals with a degree in Occupation Safety or Safety Technology.
HR/Administration		Those with experience in safety, cost containment in workers compensation; program development and implementation in large organizations.
Intelligence		Applicants with a background and extensive familiarity in automated systems for injury prevention, injury analysis, managing claims, and proficient in PC software, preferably in spreadsheets, analytical, and word processing programs.
Operations		Professionals with a total of ten (10) years Risk Management, Safety and/or General Management experience.
Logistics		Candidates that are Certified Risk Managers or Associate in Risk Management or Certified Safety Professionals.
Planning		
Communications		
Training		
Budget		
Community Relations		
Specialized Roles		

Figure 11 competencies were derived directly from a job posting on the City of Houston website.

Figure 11. Army Competency Cross-Map to City Risk Manager Position. Adapted from "Job Opportunities: Assistant Director—Risk Management" (n.d.)

3. DOD Contractors

DOD contractors are especially keen to capitalize on the HC investment made in veterans and military retirees. It can be reasonably expected that due to familiarity with the military culture, defense contractors would employ a large percentage of those seeking private firm employment. However, the federal government tracking database for ethics rulings, the After Government Employment Advisory Repository (AGEAR), is inadequate and ad hoc at best. Ethics rulings seem to be incomplete, and getting access is difficult (Amey, 2014).

The 2000 exit survey is mute regarding specific industries that retirees plan on entering. However, 78% of respondents indicated they intended to pursue employment with a private firm (Hoover et al., 2001). Large defense contractor firms like Raytheon actively and proudly recruit from the veteran and military retiree base. Raytheon's recruiting website has a specific site dedicated to hiring veterans and retirees. The site lists job openings in fields outlined in Table 8.

Table 8. Raytheon Job Fields Open to Veterans and Military Retirees. Source: Raytheon (2016b).

Engineering	Business
Aerospace	Business Development
Electrical	Communications
Field	Contracts
Hardware	Finance
Mechanical	Information Technology
Optical	Human Resources
Quality Assurance	Intelligence Analysis
Software	Legal
Systems	Logistics
Test	Program Management
	Supply Chain

Raytheon capitalizes heavily on the training, education, and experience gained by retired officers to maintain its workforce. Experience dealing with DOD business procedures and culture are also points of interest for Raytheon and other defense contractors. Figure 12 maps the connections between DOD HC investment and the HC inputs Raytheon looked for in an advertised position opening for a logistics manager.

Figure 12 indicates that officer general education and training HCI maps well to this position. Officer education levels tend to satisfy Raytheon's education requirements for the position. Command experience, executive officer experience, planning experience, logistics training, and experience are the HCI components that map most readily. An officer with a background in logistics and planning would be competitive for this position.

Raytheon would also be in a position to capitalize on the officer's SC. The officer's social network may help to maintain an effective working environment. It may help the officer cut through bureaucratic DOD red tape and increase section productivity. The HC exchange that enabled the retired officer and his or her former organization to succeed can be leveraged to foster a public–private partnership. All three parties benefit from hiring retired military officers. Raytheon receives an individual who can lower barriers to entry for federal procurement and business relations. The former organization benefits by having a trusted former member as their liaison to Raytheon. The retired officer benefits by being able to maintain links to their former organization and receive a paycheck from a source outside the federal government. Raytheon actively recruits former and retired military for positions to maintain its ability to adequately serve the DOD's needs.

Duty Description: Logistics Manager I, El Segundo, CA
Salary Range: $50,000 - $101,000 Annually

Manage Inventory Management team including supporting hiring, promotions, merit, discipline and reduction in force decisions; manage the department's Annual Operating Plan (AOP) inducing budgetary oversight; Ensure employees are actively managed in accordance with SAS strategies in areas of trust and respect, employee development, and communication. Resolving staffing/HR related issues; manage processes related to inventory located in the Consolidated Distribution Center, Receipt Corrections, ORR/IRR, surplus, transfers, contract closures, cycle inventories and ensure all is processed to service level agreements. Daily interface with the Warehouse Management and Warehouse team and resolve any issues or concerns regarding the inventory process. Monitor and distribute work load of all employees; manage monthly inventory financial reports;

Competencies	Linkages	Competencies
Education		**Required Education:**
Bachelor's Degree		Bachelor Degree (B.S. or B.A) and a minimum of 6 years
Master's Degree		**Desired Education:**
ILE		Master Degree in Business, Supply Chain, or Logistics related field of study
AWC		**Required Skills:**
Training		Minimum 6 years related experience in Supply Chain domains such as logistics and inventory management
Accession		Experience working with DCMA, DCAA, internal/external customers, program managers, and all levels of management
BOLC		Experience facilitating and supporting DCMA and/or Customer audits
CCC		Excellent verbal and written communication
ILE		Excellent Organizational and Time Management
AWC		Understanding of protocol in a defense company
Specialized Training		Expanded Knowledge of FAR,DFAR requirements
Experience		Knowledge of Inventory Control Processes
Command		High level of analytical skills
Executive Officer		Excellent interpersonal and customer service skills
HR/Administration		High level of competency in Microsoft Office, Excel, PowerPoint, Word, Visio, and Lotus Notes.
Intelligence		Ability to work in a fast pace demanding environment
Operations		Ability to travel
Logistics		Ability to obtain DoD Secret Clearance
Planning		Experience and understanding of Government contracts/process & procedures
Communications		**Desired Skills:**
Training		Six Sigma Certification
Budget		Experience in SAP systems
Community Relations		Property Management experience
Specialized Roles		Logisticians Certification
		Existing DoD Secret Clearance
		NPMA, CPPS and CPPA Certified

Figure 12. Military Officer to Defense Contractor Human Capital Connections. Adapted from Raytheon (2016b), Glassdoor (2016a).

4. Private Sector Employment

Private sector employers like Disney also seek military retirees. Again, the 2000 exit survey is mute regarding specific industry retirees plan on entering. However, 78% of respondents indicated they intended pursuing employment with a private firm (Hoover et al., 2001). It is reasonable to assume that a significant percentage of mid-grade officer retirees would seek employment with private sector firms like Disney and its affiliates. Disney launched its veterans hiring initiatives in 2004 and hires military veterans and retirees in a competitive manner.

Figure 13 indicates that officer education and experience HCI maps well to this position. Training below the ILE level maps to a much lesser degree. Officer education levels tend to satisfy the Disney position's education requirements. Command experience, executive officer experience, HR/administration experience, operations experience, and logistics training and experience are HCI components that map most readily. Officers may lack specific skills in computer programs that can be made up with additional classes at the officer's discretion and expense. An officer with a background in logistics, planning, or IT would be competitive for this position.

Unlike defense contractors, Disney benefits most from the HC investment in each officer. They are able to use the education, training, and general experience from each officer to bring new and different perspectives to their operational teams. They do not benefit from their accumulated SC since they do not do daily business with the DOD. They also do not benefit from the HC exchange that enabled the retired officer to succeed in their military assignments. Thus, an officer's social network may not play a significant role in Disney's hiring consideration.

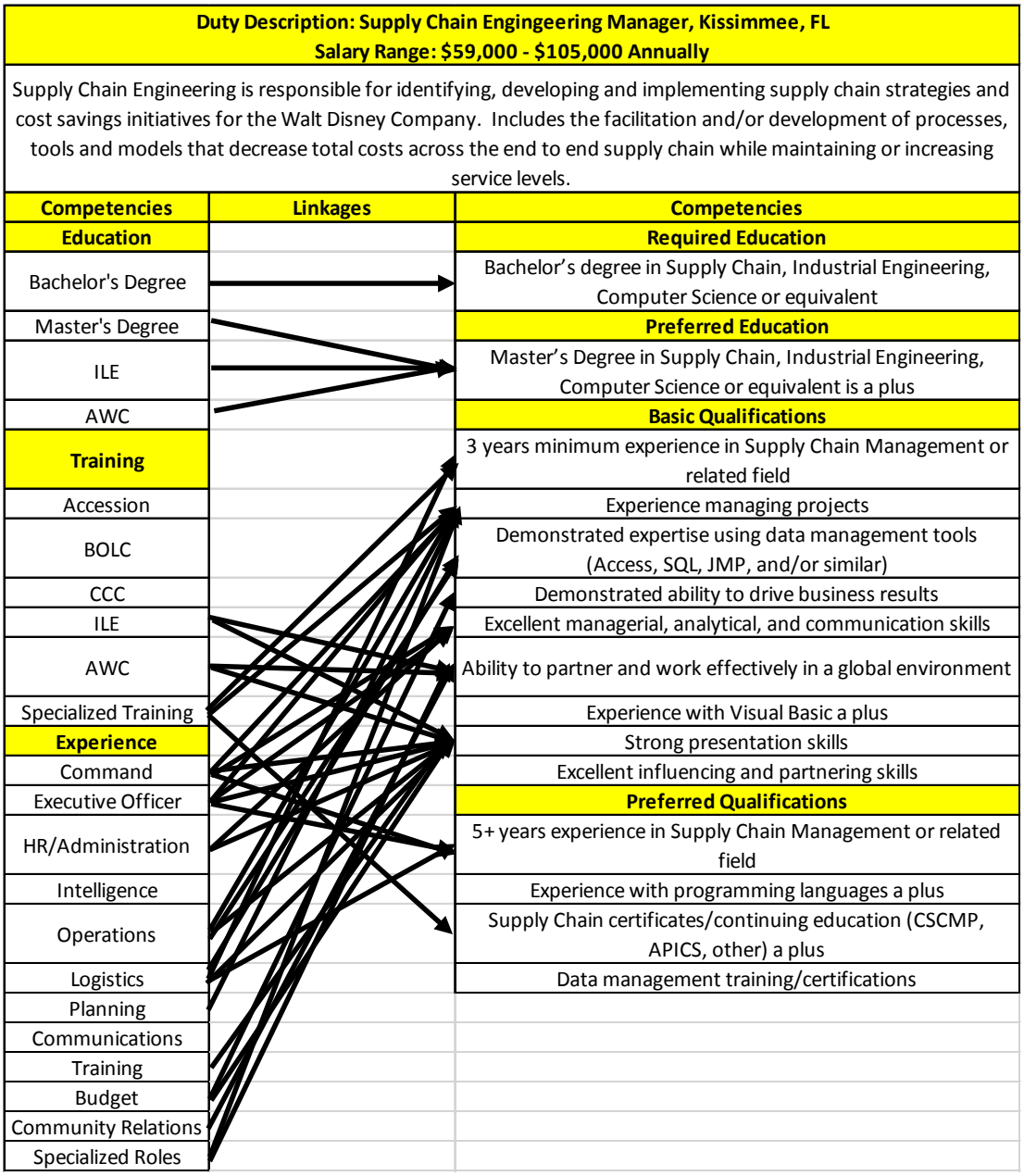


Figure 13. Army Competency Cross-Map to Disney Supply Chain Engineer Manager Position. Adapted from "Disney Supply Chain Engineering Project Manager Position" (2016), Glassdoor (2016b).

5. Entrepreneurs

Entrepreneurs follow a slightly different construct. Entrepreneurs take advantage of their education, training, and experience to start a venture and create something new. Some individuals start a venture with a new area of interest. However, many will decide

to start in an area they are familiar with. Logistics officers may start a trucking company. Computer engineers may become software developers. Procurement professionals may become contracting consultants. The 2000 exit survey indicates approximately 7% of officer retirees plan on pursuing an entrepreneurial future or joining a family business (Hoover et al., 2001). To illustrate the difference, this project used the leader characteristics, attributes, skills, and actions and compared them to entrepreneur competencies, as shown in Figure 14.

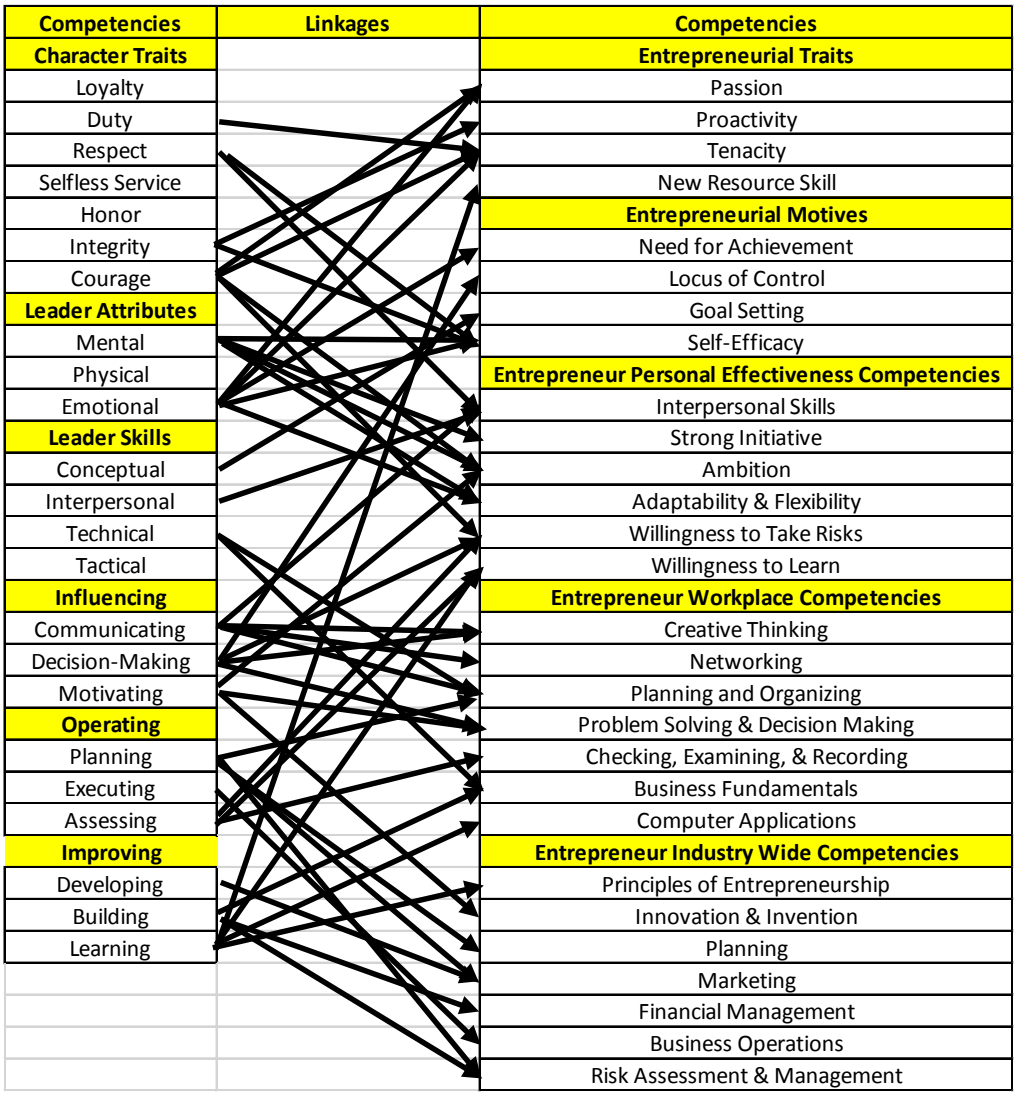


Figure 14. Retired Officer to Entrepreneur Competency Map.
Adapted from Olien (2013).

IV. DATA ANALYSIS

This chapter details specific data received from DMDC related to Army officer retirements from 2006 to 2016. The authors used Army retirements as an approximation for larger DOD revolving door trends.

A. RETIREMENT DATA ANALYSIS

For this project, the authors chose to look at the retiring Army O-4 to O-6 population for three reasons. First, the O-4 to O-6 rank band represents the majority of officer retirees. Second, they tend to retire at an age where they can pursue a full second career after military retirement. Third, they represent mid-level organizational leaders instead of tactical or strategic leaders. The high degree of HC and SC each officer possesses when he or she retires at this rank band represents a significant opportunity for second-career employers.

1. Methodology

The authors requested specific information regarding O-4 to O-6 retirees from DMDC to assess the revolving door effect in the DOD workforce. The data set included 20,503 active duty Army O-4 to O-6 retirees from 2006 to 2016. The file detailed non-disabled retirees with 20 or more years of service. It also listed GS and DOD contractors hired from that population in the same timeframe. The DMDC data set included the following categories: Personnel Category Code, Begin Date, End Date, Separation Date, Rank, Fiscal Year, and Years of Service (S. Seggerman, personal communication, October 12, 2016).

The authors also used open source information from the Defense Civilian Personnel Advisory Service (DCPAS) to look at the DOD workforce from a broader perspective. DCPAS information included the civilian workforce age distribution and new hires from 2006 to 2015. DCPAS information for FY2016 was not available at the time of this writing.

From 2006 to 2016, the Army retired an average of 1,864 O-4 to O-6 officers per year. Of those retirees, an average of 477 returned annually as GS civilians, and 234 returned annually as DOD contractors. This equates to an average return rate of 25.7% for GS civilians and 12.6% for DOD contractors (S. Seggerman, personal communication, October 12, 2016). Data analysis focused on determining whether rank, years of service, or hiring trends were the primary drivers in the return rate. As we show, we determined that retired O-4 to O-6 rehiring trends closely approximated new hires rates in the DOD.

2. The Aging DOD Workforce

The baby boom generation is nearing retirement, and DOD civilian employment reflects the aging American workforce. The DOD workforce faces a retirement cliff within the next 10 to 15 years. In FY2015, 46.45% of the DOD workforce was over 50. As shown in Figure 15, the DOD workforce over 50 years old has increased more than 7% from 2006 to 2015 (DODa, 2016). By 2025, those individuals will enter their most likely federal retirement years. As the workforce ages and retires, it will become increasingly important for the DOD to hire a younger workforce to replace its retirement losses.

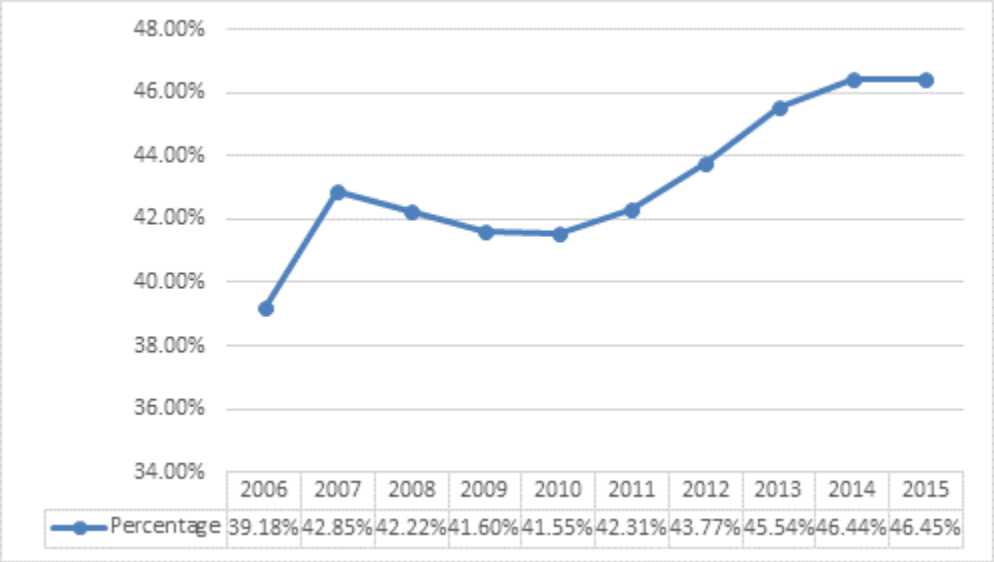


Figure 15. Percentage of DOD Workforce over Age 50.
Adapted from DODa (2016).

When new hires increased for the 2007 "Grow the Force Initiative" (U.S. Government Accountability Office, 2008), the percentage of employees over 50 years old jumped nearly 4% in one year. This can be explained in part by the DOD hiring older workers in order to meet immediate staffing needs to support operations in Iraq and Afghanistan during their respective surge campaigns. During the initial stages of federal workforce downsizing following the 2008 recession, the number of new hires was reduced while older civilian employees continued government service. Figure 15 helps show the DOD's looming challenge in retaining HC and SC to maintain its functionality.

3. How Retirees Impact DOD New Hire Needs

One possible way for the DOD to fill its civilian personnel needs is to recapture HC and SC by hiring military retirees. After spending 20 or more years in service, officers acquire detailed knowledge about how the DOD operates. They also develop valuable social networks that help maintain functional organizations. The authors looked to see whether rank, years of service, or DOD hiring trends had the largest impact on DOD HCR3.

a. Does Rank Matter?

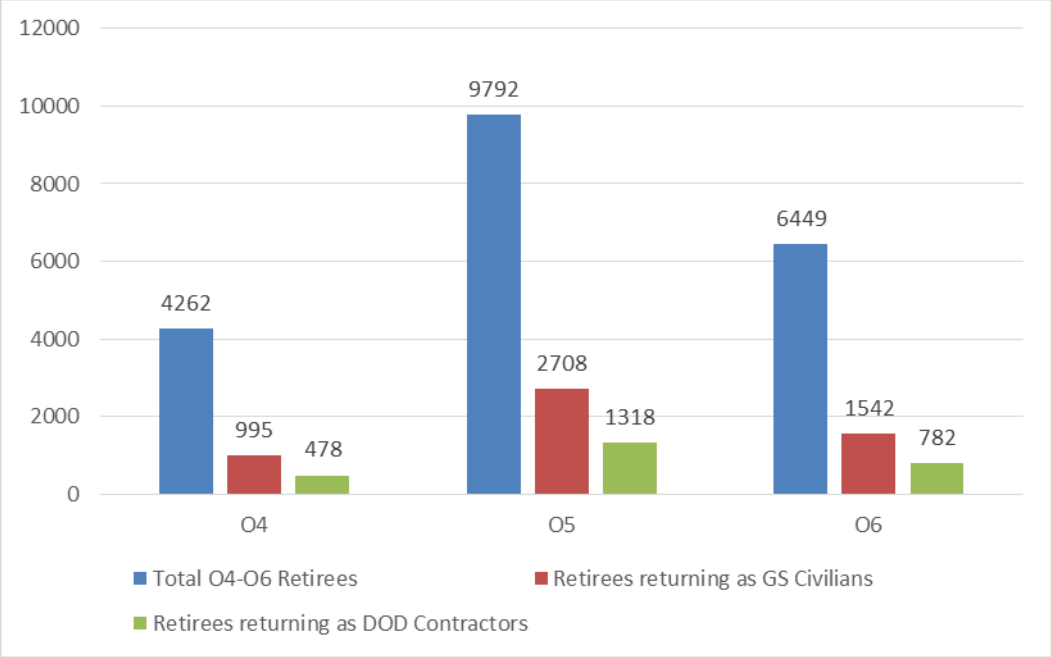
As shown in Table 9, from 2006–2016, the DOD was only able to retain a small percentage of the retiring O-4 to O-6 population. The retention rate varies slightly by rank. A total of 34.56% of retired O-4s, 41.12% of retired O-5s, and 36.04% of retired O-6s returned to federal service, this time as civilians, from 2006–2016.

Table 9. Comparison of GS Civilian to DOD Contractor Returnees by Rank. Adapted from S. Seggerman, personal communication (October 12, 2016).

	O-4	O-5	O-6
GS Civilian	23.35%	27.66%	23.91%
DOD Contractor	11.22%	13.46%	12.13%

These numbers reflect the percent of retirees by rank that return as either GS civilians or as DOD contractors.

Retired O-5s have a 5–6% higher return rate than other field grade officers. There are also a larger number of O-5 retirees. This leads to the retired O-5 population making up a larger percentage of both the GS and the DOD contractor workforce. If return rate were a factor of rank, the expectation would be for O-6s to return at a higher rate than O-5s or O-4s. With the information at hand, there does not appear to be a significant correlation between rank and HC/SC retention in the DOD at the O-4 to O-6 rank band. The data in Figure 16 and Table 9 appear to be consistent over the 11-year period.



Comparison of the number of Army O-4 – O-6 retirees with 20+ years of service vs. those returning as either GS civilians or DOD contractors between 2006–2016

Figure 16. O-4 – O-6 Returnees vs. Retirees. Adapted from S. Seggerman, personal communication (October 12, 2016).

However, Figure 16 and Table 9 fail to show civilian hiring trends over time. They also fail to show how the DOD has rehired fewer retirees year-over-year in conjunction with lower new hire numbers.

b. What Role Do Years of Service and Age Play?

Officers tend to retire in greater numbers at the beginning years of their retirement eligibility. As indicated in Figure 17, the greatest number of officer retirements occurs at 20 Years of Service (YOS; S. Seggerman, personal communication, October 12, 2016).

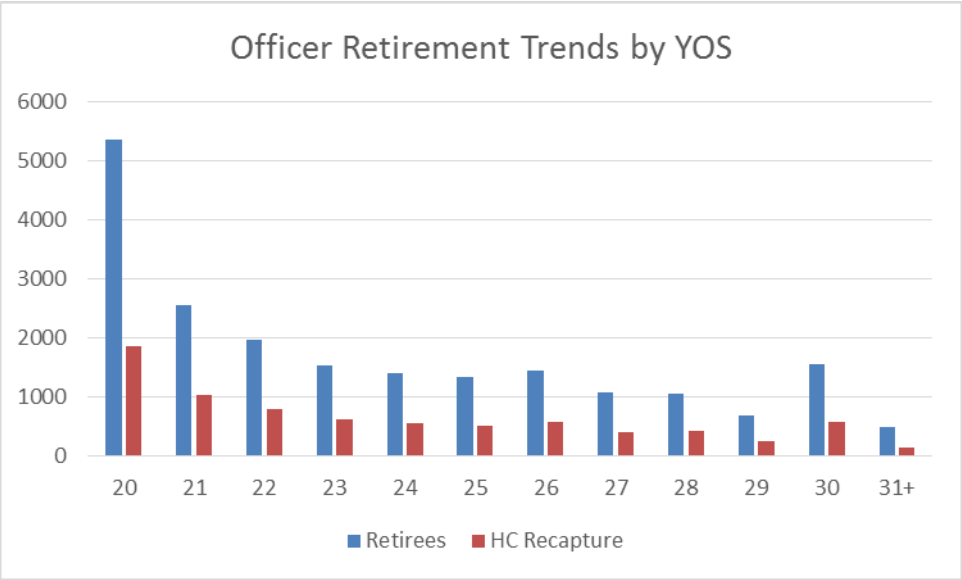


Figure 17. Number of Officers Retiring by YOS. Adapted from S. Seggerman, personal communication (October 12, 2016).

As outlined in Table 10, 26.11% of O-4 to O-6 officers retire at 20 YOS. The percentage of officers who remain in service continues to drop until only 2.44% remain in service beyond 30 years (S. Seggerman, personal communication, October 12, 2016).

Table 10. Percent of Officers Who Retire by YOS. Adapted from S. Seggerman, personal communication (October 12, 2016).

Officer Retirement Percentage by YOS											
20	21	22	23	24	25	26	27	28	29	30	31+
26.11%	12.42%	9.66%	7.55%	6.87%	6.53%	7.04%	5.23%	5.17%	3.35%	7.63%	2.44%

There does not appear to be a significant trend between YOS and HCR3 with the exception of officers who retire at 20 YOS or 31+ YOS. Officers who retire at these two points do show slight indications of lower reemployment as GS civilians or DOD contractors within the DOD (S. Seggerman, personal communication, October 12, 2016). Figure 18 illustrates HCR3 by YOS.

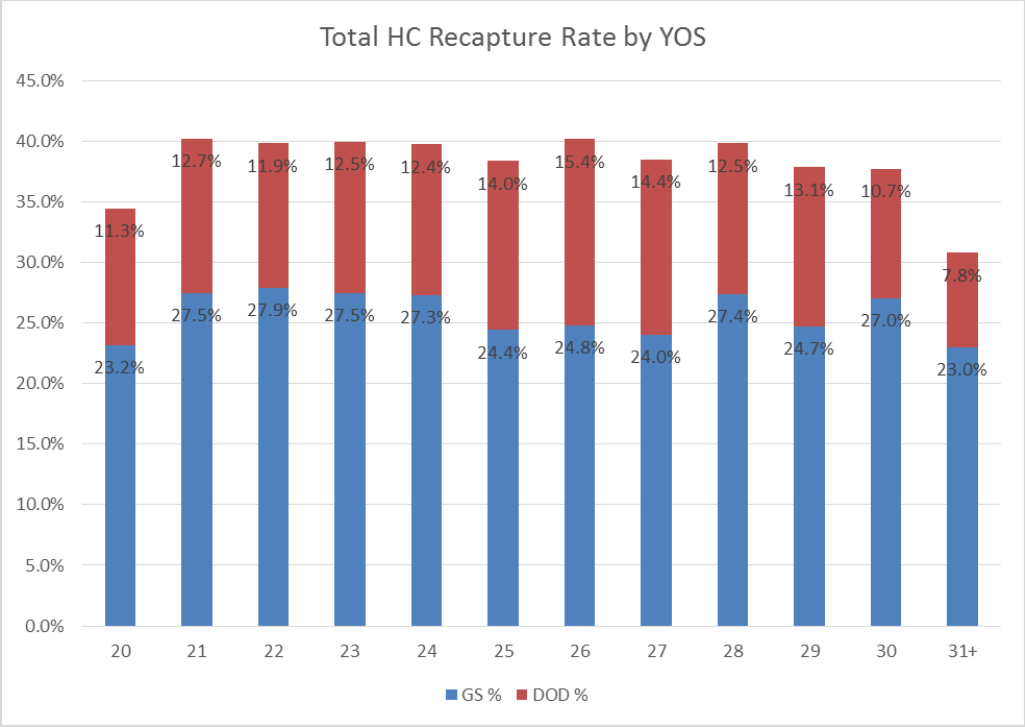


Figure 18. HCR3 by YOS. Adapted from S. Seggerman, personal communication (October 12, 2016).

Officers who retire at the 20-year mark display less tendency to return to federal service after retirement. These officers both retire and return in the greatest number. However, they return at a lower rate than officers who retire beyond 20 YOS. Officers retiring at 20 YOS return 4.8% below the HCR3 median rate of 39.4%, indicating a lower tendency to stay in federal service (S. Seggerman, personal communication, October 12, 2016). The authors believe this may be tied to individuals who only stayed in service long enough to obtain their cliff-vested retirement annuity.

Similarly, there does seem to be an indication that older officers with 31 or more YOS will return at a slightly lower rate. Since officers retiring at this time would be 53 years old or older, it suggests there is an age component to the revolving door for older field grade officers.

c. Does Supply and Demand Matter?

DOD civilian employment fluctuates over time as national security demands and the state of the economy dictate. As illustrated in Figure 19, from 2006 to 2015, the DOD has grown in response to the combination of the troop surges in Iraq and Afghanistan and the "Grow the Force Initiative" in 2007. The DOD also shrank in response to the 2009 recession and sequestration.

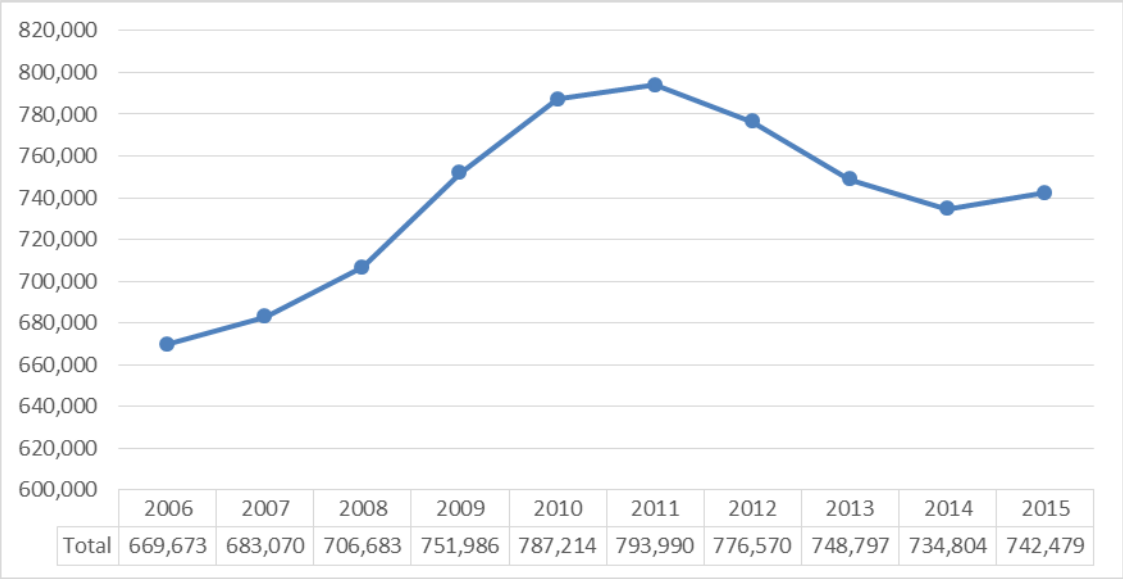
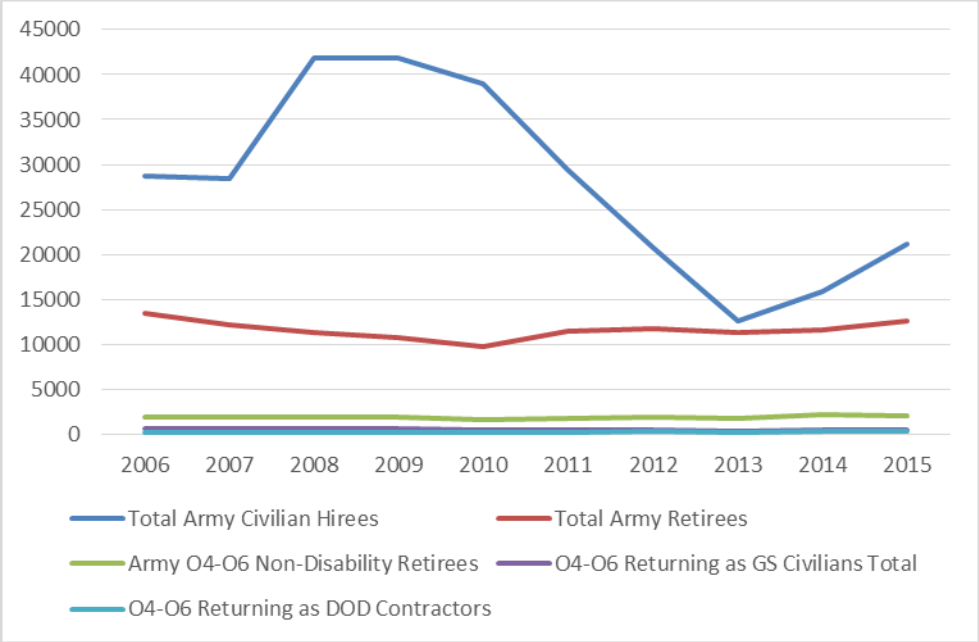


Figure 19. DOD Civilian Employment 2006–2015. Source: S. Seggerman, personal communication (October 12, 2016).

New hires continued to fall until 2013. They started to rise again after the civilian hiring freeze was lifted in 2013 with sequestration postponement. Figure 20 depicts Army new hire trends as compared to the retiring active duty Army force.



Due to the immense number of hires in the DOD, the scaling of the chart shows the Retiree and Returnee supply lines flatter than they actually are.

Figure 20. Army Human Capital Supply and Demand. Adapted from Defense Civilian Personnel Advisory Service (2015), S. Seggerman, personal communication (October 12, 2016).

The difference between the number of retirees and those returning for a second civilian career represents a significant population. With higher incentives, some of these retiring individuals could help fill additional demand for new hires within the DOD. Note that, as shown in Figure 17, if the Army could leverage all its retiring active duty force, it could have nearly filled its entire FY2013 new hire requirement. Using retirees could lower the transaction costs for the DOD to maintain a well-trained workforce to meet its mission requirements. The DOD could hire retirees directly into senior civilian positions and avoid years of HC investment and HC exchange needed to build SC in civilian leaders. It would leverage the SC present in retirees to maintain functioning organizations.

Another point brought to light by Figure 20 is public misperception about the revolving door growth. While the size of the federal government and the DOD decreased from 2009 to 2013, the amount of retired military officers returning remained relatively

constant. This means military retirees seem like a larger percentage of the DOD workforce, even if no additional new retirees were actually hired. What is not shown in Figure 20 is the second decline that occurred in 2016 after new hires increased from 2013 to 2015. Figure 20 was created from DOD Workforce Demographics, which are currently posted only through 2015.

The O-4 to O-6 annual HC recapture pattern evident in Figure 21 follows the pattern shown previously in Figure 20. The average DOD contractor HCR3 is 12.6% with a 1.17% standard deviation from 2006 to 2016. During the same period, GS civilian HCR3 averaged at 25.7% with a 6.77% standard deviation for the same period. We calculated the correlation between the total number of O4-O6s returning and the number of new civilian hires within the DOD. The factor of 0.83 indicates a strong correlation between the total HCR3 and new civilian hires. Within the total recapture group, we isolated the number of those hired as GS civilians. Within this narrowed category, the correlation factor increases to 0.93 indicating an even stronger relationship.

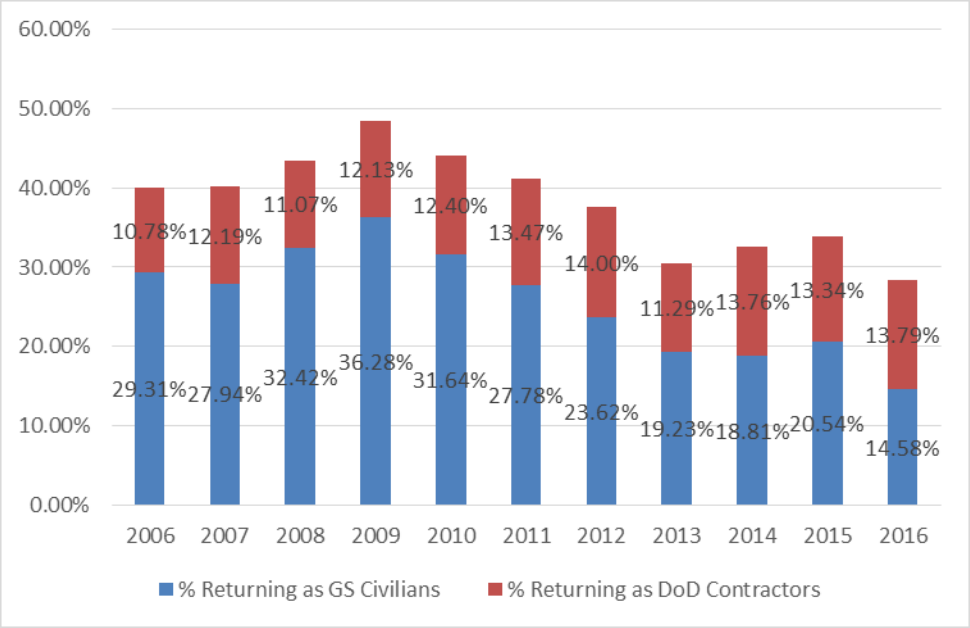


Figure 21. Total O-4 – O-6 HC/SC Recapture Rate by Fiscal Year. Adapted from S. Seggerman, personal communication (October 12, 2016).

Retired O-4 to O-6s returning to the DOD workforce consistently make up 2–5% of total DOD new hires (DOD, 2016a). The 2013 and 2014 returning retiree percentage spike outlined in Table 11 can be associated with the Army Officer Separation Boards, which forced many soldiers with over 20 years of service to retire earlier than they expected. Others without the requisite years of service to retire were given severance payments in lieu of retirement annuities. Without much preparation, those being forced to retire found faster reemployment by returning to the one thing they had done for over 20 years. After removing this anomaly, the percentage fluctuates less than 1.5%.

Table 11. Comparison of Army Civilian New Hires against O-4 – O-6s Returning to GS Civilian and DOD Contracting Positions. Adapted from Defense Civilian Personnel Advisory Service (2015), S. Seggerman, personal communication (October 12, 2016).

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Total Army Civilian New Hires	28783	28490	41842	41808	38979	29464	20668	12608	15891	21218
O4-O6 Returning as GS Civilians	544	541	618	670	523	499	432	349	417	414
Percentage of New Civilian Hires	1.89%	1.90%	1.48%	1.60%	1.34%	1.69%	2.09%	2.77%	2.62%	1.95%

Figure 22 presents a more focused viewpoint tracking those who return from active duty to either a GS civilian or DOD contracting position. The number of retirees returning to the DOD generally follows the number of civilian hires into the DOD by fiscal year. There is a visible decline in O-4 to O-6 retirees in the GS civilian workforce. In comparison, the DOD contractor workforce shows a slight increase in from 2006 to 2016.

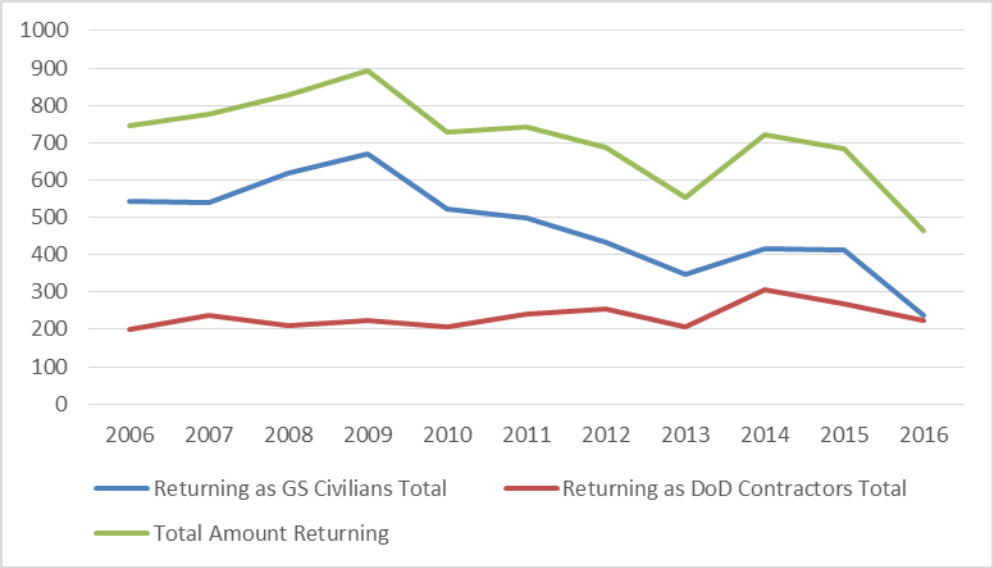
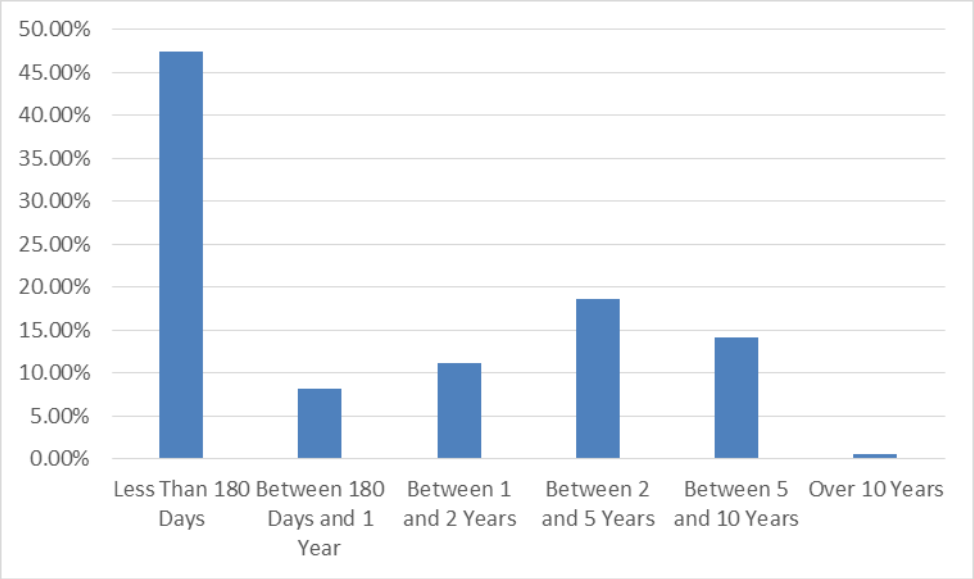


Figure 22. Number of Army O-4 – O-6 Retirees Returning as GS Civilians or DOD Contractors. Adapted from S. Seggerman, personal communication (October 12, 2016).

It is conceivable if the decline in civilian hires continues, the amount of those returning as DOD contractors will outnumber those returning as GS civilians. From a knowledge base perspective, the HC and SC is still maintained within the DOD. However, this trend might be seen from another perspective, that is, that the DOD knowledge base is leaking into the private sector.

4. Shrinking Return Time to DOD Second Careers

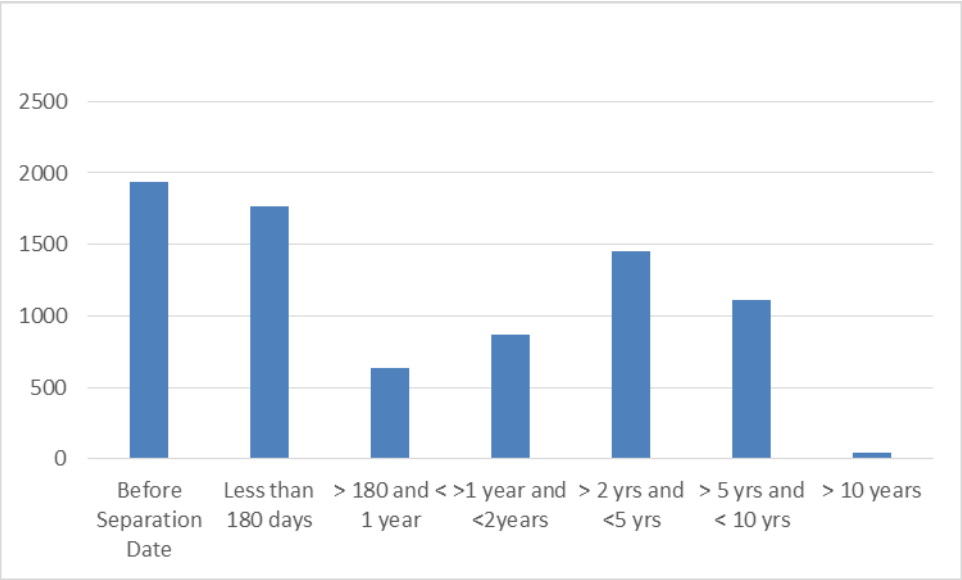
The absolute number of retirees returning to the DOD has declined since 2006 and thus, the amount of HC and SC with it. However, the amount of time which retirees take to return is decreasing as well (S. Seggerman, personal communication, October 12, 2016). The HC and SC return dynamic changed in September 2001, when 5 U.S.C.§ 3326 was suspended, allowing military retirees to return to the DOD as civilians immediately after retiring under a national emergency (Obama, 2016). With many skills, time degrades proficiency. By allowing retirees to return sooner, the government is able to capitalize on perishable HC and SC immediately following retirement. Figure 23 reflects HC recapture percentages from time of retirement. Figure 23 indicates the possibility that the return rate may be larger with the 180-day waiver since there is no cooling-off period. Relatively young retirees with families do not have the disincentive of waiting six months without a paycheck to return to federal service.



This chart reflects the percentage of those returning to GS Civilian or DOD Contracting positions by the timeframe in which they returned after retiring.

Figure 23. Percentage of HC Recaptured by Time from Retirement (2006–2016). Adapted from S. Seggerman, personal communication (October 12, 2016).

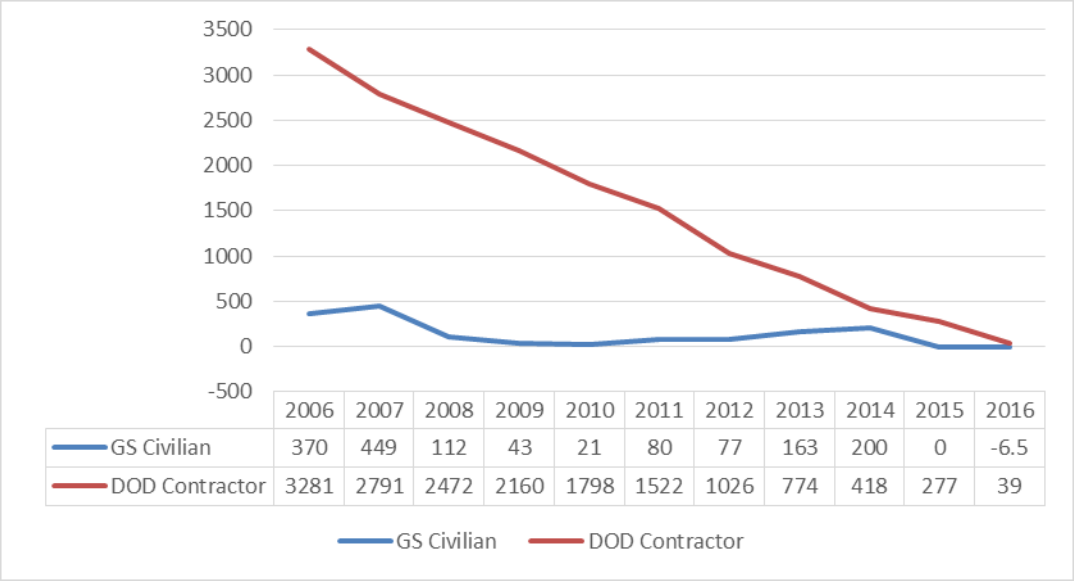
Reinstating the 180-day restriction would have a significant impact on the current way the DOD recaptures HC and SC. From a time perspective, the HC and SC start to degrade as retirees wait six months to return. Many retirees cannot or do not want to wait six months for a new job. As observed in Figure 24, more than half those returning in under 180 days begin DOD service prior to their retirement date. This may likely be to maintain a source of family income. A quickening turnaround from uniformed service to civilian service has exaggerated the effect of the "revolving door" as many existing GS civilians are working side by side with people in uniform one day and in civilian clothing the next.



This chart is a further breakdown of Figure 23 delineating how many retirees are returning to the DOD before officially retiring.

Figure 24. HC Recaptured by Time from Retirement (2006–2016). Adapted from S. Seggerman, personal communication (October 12, 2016).

From 2006 to 2016, the median return time to a DOD contracting position has drastically reduced from over 3,200 days (over 8½ years) to 39 days. This could be in part due to the increased use of federal service contracts and lucrative compensation packages. GS civilians recently composed over 70% of the returning military population. GS median return time has decreased like the return time for DOD contractors but less dramatically. The GS median return time from 2006 to 2016 was down from 370 to -6.5 days (S. Seggerman, personal communication, October 12, 2016). The negative median illustrated in Figure 25 coupled with the increasing percentage of retirees returning within 180 days of retirement as indicated in Figure 26 means that many retirees are starting their new GS position while on terminal leave before they officially retire from the military.



	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
GS Civilian	370	449	112	43	21	80	77	163	200	0	-6.5
DOD Contractor	3281	2791	2472	2160	1798	1522	1026	774	418	277	39

Figure 25. Median Return Time in Days by Fiscal Year. Adapted from S. Seggerman, personal communication (October 12, 2016).

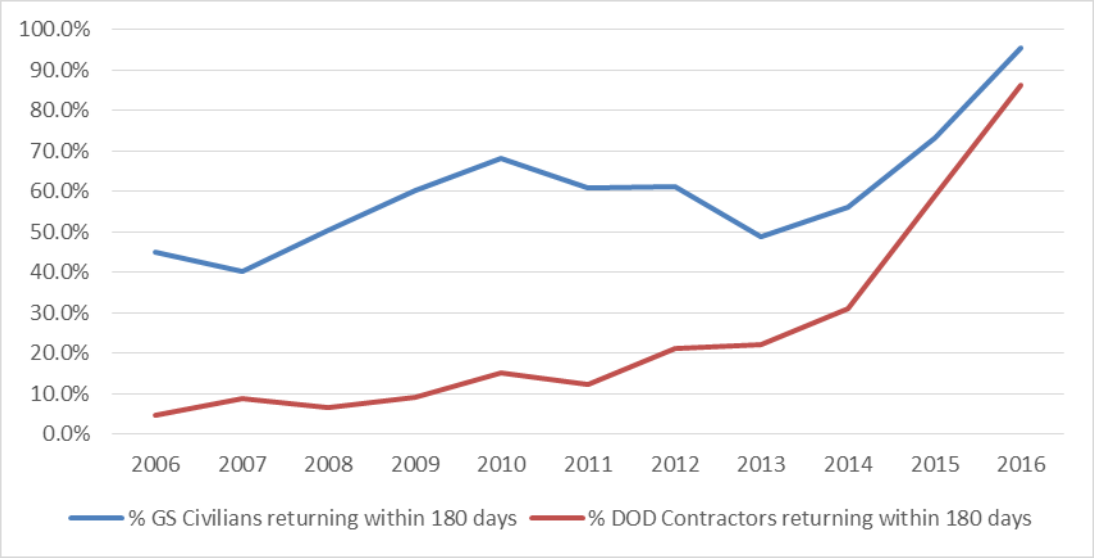


Figure 26. Percent of Returnees Returning within 180 Days. Adapted from S. Seggerman, personal communication (October 12, 2016).

The trend for faster return to the DOD by retirees poses some questions. Will the 180-day restriction be reinstated in the near future? If it does, what effect will it have on the number of DOD rehires from active duty? What is the DOD doing right to attract more people back into service so quickly? And how can the DOD attract more personnel to help fill hiring demands?

B. SECOND CAREER DATA ANALYSIS

This section details second career trends for returnees. The authors wanted to know how the distribution between GS civilians and DOD contractors changed over the studied decade. They also looked at second career length trends in both the GS civilian and DOD contractor populations.

1. Second Career Trends for Federal Career Fields

The nature of returning to federal service after retirement as a GS civilian or a DOD contractor has changed over the last decade. As seen in Figure 27, from 2006 until 2008, most O-4 to O-6 retirees favored becoming a GS civilian. Seventy-three percent of the O-4 to O-6 retiree population returned as GS civilians, and only 27% as DOD contractors (S. Seggerman, personal communication, October 12, 2016).

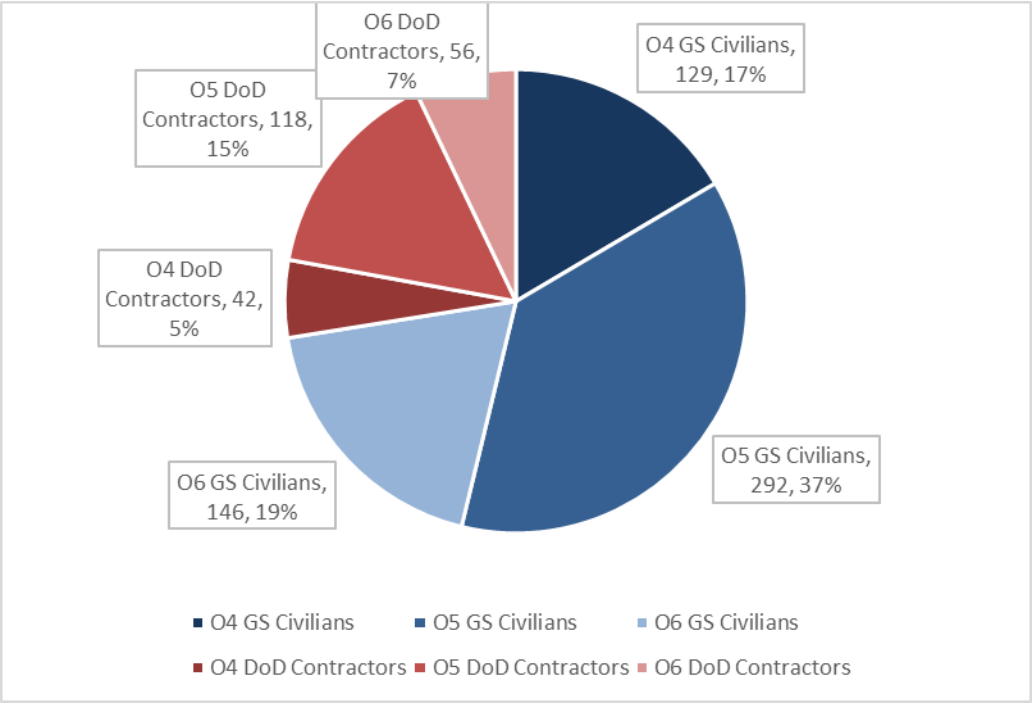


Figure 27. 2006–2008 HCR3 Return Type. Adapted from S. Seggerman, personal communication (October 12, 2016).

Over the last decade, this has changed significantly among the retiree population. The trend is heading towards an equal distribution between GS civilians and DOD contractors. As seen in Figure 28, from 2014 to 2016, the distribution narrowed to 57% GS civilians and 43% DOD contractors (S. Seggerman, personal communication, October 12, 2016). The authors believe the increase in HC recapture by DOD contractors is, in part, due to the DOD's increased use of service contracts. By using service contracts, the DOD can outsource functions that are not inherently government functions. Contractors can do jobs formerly reserved for GS employees, and the DOD can benefit by shrinking its number of GS employees (Cohen & Eimicke, 2008). Contractors represent a significant opportunity to maintain a surge force, which can also contract in times of fiscal constraints.

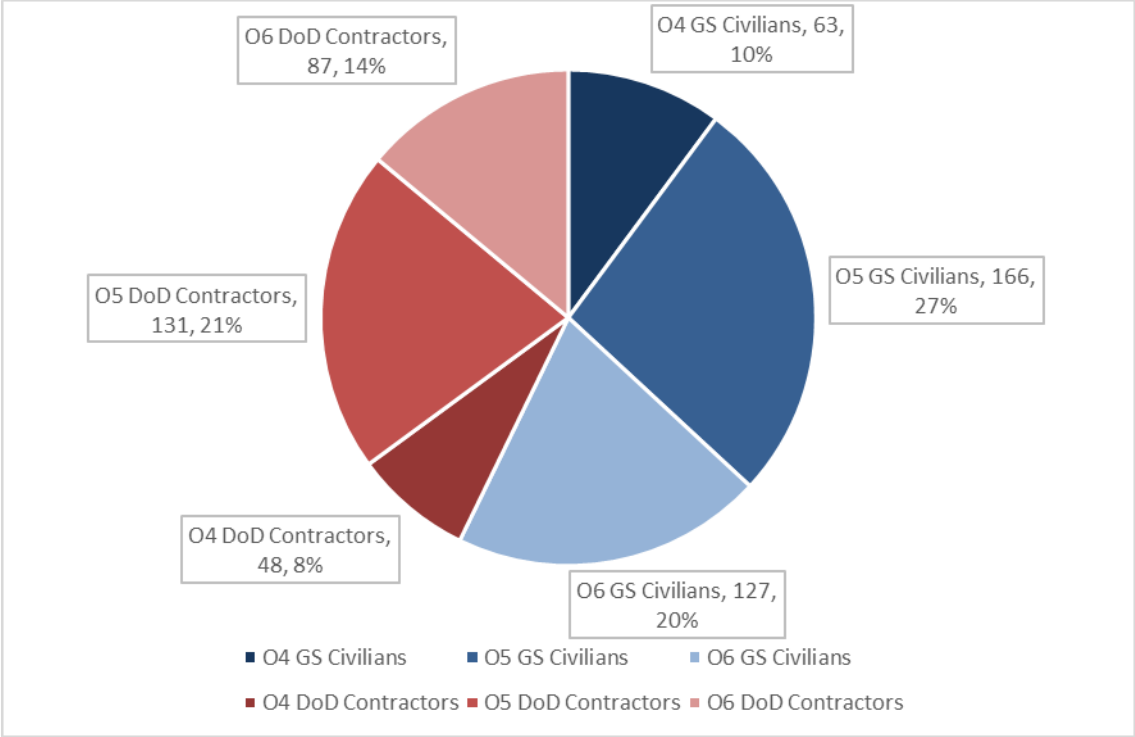


Figure 28. 2014–2016 HCR3 Return Type. Adapted from S. Seggerman personal communication (October 12, 2016).

As previously seen in Figure 22, at the current pace, the number of retirees returning as DOD contractors will soon outpace GS civilians. The only thing keeping the percent of the workforce swayed in favor of GS civilians is the already existing number currently serving.

Of those that retired, only a very slight percentage retired a second time and came back for a third career within the DOD. Eighteen of the 20,503 retired as a DOD contractor, and 16 of them came back as GS civilians. The other two went into other DOD contracting positions (S. Seggerman, personal communication, October 12, 2016). Of course, what is not captured in this data is those that retired and went into other forms of government service, outside the DOD.

2. Second Career Length Trends

Second career lengths also vary for retired field grade officers. 5,225 of the 5,245 O-4 to O-6 retirees who returned as GS civilians from 2006 to 2016 are currently employed as a GS civilian as of 2016. This 99.7% continued employment rate indicates that almost all O-4 to O-6 retirees will stay in a GS position for a lengthy service period after they retire from military service. 2,305 of the 2,578 O-4 to O-6 retirees who returned as DOD contractors from 2006 to 2016 are currently employed as DOD contractors as of 2016. The 89.4% continued employment rate indicates a lower, but still significant second career loyalty to the DOD (S. Seggerman, personal communication, October 12, 2016).

For the 20 GS civilians who left service again, the average time as a GS civilian was just over 3½ years. Of the 273 DOD contractors who left service again, the average time of service as a DOD contractor was slightly over 1½ years. Both of these numbers seem exceptionally short when the median time to retirement is not considered. The median time for second career service as a GS civilian was slightly over four years, and for DOD contracting, it actually shortens to slightly over one year. In an interesting twist, 1.5% of DOD contractors who left their contractor positions became GS civilians. In contrast, zero GS civilians left their positions to become DOD contractors. This seems to indicate that a small number of retirees first join a DOD contractor and then wait to compete for GS positions that subsequently become available (S. Seggerman, personal communication, October 12, 2016).

V. FINDINGS AND CONCLUSIONS

This chapter details seven project findings based on the analyzed data. It draws on these findings to highlight five conclusions about the revolving door in the DOD. The authors used available Army retirement data to approximate the DOD military retirement and civilian hiring trends from 2006 to 2016.

A. FINDINGS

The HCR3 for mid-grade retired officers is strongly correlated to the DOD hiring needs. O-4 to O-6 retirees return to the Army GS sector by a correlation factor of .93 to new civilian hires (S. Seggerman, personal communication, October 12, 2016). This strong correlation indicates retired officers are hired proportionally to hiring needs within the Army from 2006 to 2016.

The revolving door for mid-grade retired officers is small. Retired O-4 to O-6 officers represent, on average, 1.93% of new GS hires within the Army from 2006 to 2016 (S. Seggerman, personal communication, October 12, 2016). Even at its lowest point in that timeframe, the Army hired over 12,000 new civilians in a single year. Whether it is growing, shrinking, or under a hiring freeze, the Army and the larger DOD requires a constant HC influx. On average, O-4 to O-6 retirees tend to make up under two percent of Army GS civilian new hires in any given year. This does not represent a significant threat to DOD hiring or promotion rates for non-second career new hires. Thus, the revolving door as an unfair and deceitful practice is an idea that seems to capture more attention than it warrants.

The authors found that very few barriers to DOD re-employment remain in comparison to pre-2001 when the 180 - day restriction was in place or the early 1990s when there was a financial offset to return to federal service. Today, retired officers can leave their military position one day and return the next as a civilian. Often, they continue working in the same organization with the same group of co-workers. There is also no financial offset for officers who retire and return to service. Retired officers receive their full civilian paycheck and their full retirement paycheck concurrently in their new

position. With no restrictions on return time and no offset, officers face few barriers to continued service as a GS civilian or DOD contractor.

Even with low barriers to re-employment, DOD realizes a 30-40% HCR3 for the mid-grade officer population. The remaining 60-70% of retired mid-grade officers enter second careers for which it is difficult to obtain data or simply permanently retire from the workforce. The 2016 DOD return rate is predicted to be below 30 percent based on the data available to the researchers. This low re-employment rate indicates the DOD is losing a significant amount of HC and SC and not maximizing its possible return.

Those mid-grade officers who were re-employed as either a GS civilian or a DOD contractor returned to the DOD progressively faster from 2006 to 2016. Nearly half of total HC recapture occurred within 180 days of retirement. Over half of retirees returning within 180 days became re-employed in the DOD while on terminal leave. This indicates that over half of retiring mid-grade officers entering the GS workforce do so before they formally retire from uniformed service. The authors predict that over 50% of total HC recapture will soon occur within 180 days of retirement if the current trend toward faster re-employment continues (S. Seggerman, personal communication, October 12, 2016).

While the GS civilian re-employment rate fell from 2006 to 2016, the DOD contractor re-employment rate rose. The O-4, O-5, and O-6 GS civilian re-employment rate fell from 32%, 31%, and 23% respectively in 2006 to 14%, 14%, and 16% respectively in 2016. Meanwhile, the O-4, O-5, and O-6 DOD contractor re-employment rate rose from 9%, 12%, and 10% respectively in 2006 to 13%, 14%, and 14% respectively in 2016 (S. Seggerman, personal communication, October 12, 2016). Within the O-4 to O-6 retiree pool DOD contracting is likely to become the preferred venue for second career employment.

B. CONCLUSIONS

Contrary to popular belief, there is no mid-grade officer revolving door problem in the DOD. The revolving door is small compared to the DOD's overall size. The Army employed over 248,000 GS civilians in 2016 (DMDC, 2016). Approximately 2,000 mid-grade Army officers retire each year. (S. Seggerman, Personal Communication, October

12, 2016). Annual revolving door hires make up less than 0.8% of the total Army GS workforce. On average, fewer than 2% of annual new GS civilian hires are attributable to mid-grade officer revolving door re-employment. This is hardly the unfair widespread double dipping scheme alleged by policy makers, the media, and activist policy groups. A few high profile retiree ethical lapses have exaggerated the negative public perception of the revolving door.

Policy makers, the media, and activist groups continue to focus on the cost of the revolving door. However, these groups ignore the value of HC and SC recapture and reuse resulting from the revolving door. Instead of the revolving door being an abusive practice, it is actually an underutilized and valuable tool for the DOD to maintain its competitive edge in national defense. The revolving door is an efficient way for DOD to retain critical skills and lower its long term HC costs. Retired mid-grade officers possess a significant amount of education, training, and experience regardless of the method used to measure it; and they have an established social network that enables them to immediately operate effectively in middle and upper echelon DOD management. It is entirely possible that the DOD and public policy experts have not considered the full benefit of rehiring highly qualified military retirees in order to preserve organizational effectiveness through HC and SC recapture and reuse.

Reestablishing the 180-day cooling off period would be a disincentive for retired mid-grade officers to return to DOD as a GS civilian. Reinstating a financial offset for retirees re-employed as GS civilians would be a further disincentive to return to DOD. These two actions would reduce DOD's HCR3 rate and increase DOD's HC costs to maintain a professional civilian workforce. The removal of the 180-day cooling off period allows a more rapid HCR3 return for the DOD and limits organizational disruptions due to personnel transitions. The current immediate return practice allows DOD to maintain its social networks and gives retirees a seamless transfer from active duty to civilian federal service.

Without increased incentives to cast a larger net and capture additional HC from this pool of officers, the return rate will likely continue to average between 30 to 40 percent of retirees. Current initiatives to reduce or eliminate the revolving door may

inadvertently cause the DOD to experience a greater HC crisis than necessary as the baby boom generation nears retirement and DOD seeks to fill critical knowledge gaps.

The data indicates DOD reliance on contractors will continue to grow and the revolving door will absorb a larger percentage of retirees. This conclusion is in keeping with DOD trends to outsource more requirements through service contracts. Inherently Governmental Functions (IGF) will continue to be performed by GS employees since those positions cannot legally be contracted out. With this in mind, it is reasonable to expect a continued need for GS employees via the revolving door, albeit in smaller numbers.

VI. RECOMMENDATIONS, LIMITATIONS, AND AREAS FOR FUTURE RESEARCH

This chapter draws on the findings and conclusions outlined in Chapter V to make three public policy recommendations. It details project limitations and offers five areas for future research.

A. RECOMMENDATIONS

The authors recommend policy makers continue the revolving door practice and maintain the immediate return practice. Current practices to rehire retired officers maximize the return potential and realize a 30–40% recapture rate. However, policy makers need to balance this approach with safeguards in place to maintain transparency, equity, and oversight.

To eliminate the perception of double-dipping, the immediate return practice should be modified to ensure retirees start their new civilian position after terminal leave ends. While on terminal leave, they are essentially a uniformed service member with a side job. Once terminal leave ends, retirees are officially civilians. Retirees should be allowed to return the day after they officially retire in order to recapture their HC and SC as quickly as possible.

Lastly, the DOD needs to monitor the current trend of retirees returning as DOD contractors. If this trend continues, the government stands at risk of having a majority of its HC investment crossed over to the private sector. This puts the government in jeopardy of not being able to do the work it typically performs.

B. LIMITATIONS

Researchers were limited by information availability and Personally Identifiable Information (PII) restrictions for academic research in this study. Attempts to study second career trends outside the DOD met legal review roadblock delays and caused project scope changes to eliminate PII encounters.

Cataloguing techniques at other federal agencies, state and local governments, and the public sector made data outside the DOD difficult to find and use. When federal, state, and local government agencies do report their retired military second career workforce, they track them as “employed annuitants” and do not break them down into retired rank bands. Private sector employers are also under no obligation to track or report their retired military workforce, making reliable data difficult to obtain.

Time limitations for MBA report research and writing also created challenges to the researchers. It took nearly three months to craft the project in a manner that would receive Naval Postgraduate School (NPS) Institutional Review Board (IRB) approval. The researchers attempted to use the PII de-identified Personal-event Database Environment (PDE) Database to study their target audience. PDE access required an additional month with additional review and approval layers. Ultimately, the duplicate data sets caused by multiple personnel system feeds made using PDE a cumbersome and unreliable database for this project.

Any future studies should take into account the difficulty obtaining reliable data without violating PII restrictions. Future researchers will also need to take into account different agency data collection procedures to ensure they receive accurate data. They should also begin planning their methodology as early as possible to obtain IRB approval and avoid PII restrictions.

C. AREAS FOR FUTURE RESEARCH

One area for future research is an enlisted retiree revolving door analysis. Enlisted retirees represent approximately half of military retirements. Like its officer force, DOD makes a significant HC investment across its enlisted force over the course of a 20 to 30 year career. A revolving door study similar to this project would help determine the size, shape, and impact of enlisted retirees to DOD HCR3.

A second area could focus on the DOD revolving door impact from separated, non-retired service members. Only 15.7% of non-disabled service members reach retirement eligibility. The 82.3% who leave service before retirement also receive large

HC investments from DOD. A revolving door study similar to this project would help determine the size, shape, and impact of separated non-retirees to DOD HCR3.

A third area could include the DOD revolving door impact from disabled retirees. With continued conflict involvement in multiple theaters of operation, there is a growing number of service members who are medically retired. While they cannot remain in uniformed service, some are capable of and choose to return to DOD service as a GS civilian or DOD contractor. A revolving door study similar to this project would help determine the size, shape, and impact of disabled retirees to DOD HCR3.

Another area is DOD retiree entrepreneurs. While these retirees do not necessarily return HCR3 to DOD, they do represent an economic value to the United States. They bring valuable skill sets and perspectives to the businesses or organizations they run. Determining the size of the entrepreneur force and the types of organizations they start would add to the body of knowledge about retired military second careers.

A final area of possible research would include DOD retirees transitioning to state and local agencies. While these retirees do not necessarily return HCR3 to DOD, they do represent an economic gain to state and local governments. They bring a valuable skill set and perspective which are not readily available in the general public.

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APPENDIX A. MILITARY RETIREMENT DEFINED BENEFIT VALUE

Military retirements aim to give retirees compensation for their service and sacrifices over a career. The Defined Benefit plans and retirement structure have changed little since World War II. Today's military retirees will fall into one of three retirement plans based on date of service entry. They will be subject to either the Traditional, High-3, or the CSB/REDUX plan. The Blended Retirement Plan starts in 2018 and is available to service members with less than 12 years of service. Individuals entering active duty after January 1, 2018, will be subject to the Blended Retirement Plan. Retirees can expect different payouts under their various multiplier rates and methods. The multiplier rates for each plan are detailed in Table 12. A retiree can expect to receive the multiplier percentage of his or her basic pay as his or her retirement annuity.

Table 12. Basic Pay Multiplier for Current Military Retirement System. Adapted from "Military Compensation" (n.d.).

Years of Service	20	21	22	23	24	25	30
Final Pay	50%	52.50%	55%	57.50%	60%	62.50%	75%
High-3	50%	52.50%	55%	57.50%	60%	62.50%	75%
REDUX	40%	43.50%	47%	50.50%	54%	57.50%	75%

As indicated by Tables 13, 14, and 15, military retirement benefits have slowly declined in their generosity. Service members will soon be asked for more financial input to their own retirement. This is in general keeping with the trend in the private marketplace.

a. Traditional

The Traditional military retirement system applies to personnel who entered service before September 8, 1980. A service member is entitled to 2.5% of his or her final pay for every year of service. Under this system, a member who retires at 20 years of

service will receive 50% of his or her final pay starting at their retirement date. A member who remains in service until 30 years of service will receive 75% of his or her final pay per month starting at the retirement date. The retirement annuity begins payment immediately after their retirement date and lasts the remainder of the member's lifetime. Retirement pay is based on a member's basic pay without additional allowances or career field bonuses. Table 13 depicts what a retiree would expect to receive in retirement pay under the Traditional Retirement Plan and the plan's Net Present Value (NPV).

Table 13. Traditional Retirement Plan Monthly Annuity Expectation. Adapted from DFAS (n.d.), "Military Compensation" (n.d.).

Traditional					
Pay Grade	Years of Service	Final Pay	Monthly Retired Pay	Annual Retired Pay	Annuity Present Value
O-5	20	$8,617.20	$4,308.60	$51,703.20	$1,292,580.00
O-5	23.6	$8,876.40	$5,103.93	$61,247.16	$1,531,179.00
O-6	30	$11,094.90	$8,321.18	$99,854.10	$2,496,352.50

b. High-3

The High-3 system applies to service members who joined service between September 8, 1980, and July 31, 1986. It also applies to service members who joined service after July 31, 1986, who opt not to accept the 15-year Career Status Bonus (CSB). Under this system, a member who retires at 20 years of service will receive 50% of his or her average final three years of pay starting at his or her retirement date. A member who remains in service until 30 years of service will receive 75% of his or her average final three years of pay per month starting at his or her retirement date. The retirement annuity begins payment immediately after the retirement date and lasts the remainder of the individual's lifetime. Like the Traditional Retirement Plan, retired pay is based on a member's basic pay without additional allowances or career field bonuses. Table 14 depicts what a retiree would expect to receive in retirement pay under the High-3 Retirement Plan and the plan's NPV.

Table 14. High-3 Retirement Plan Monthly Annuity Expectation. Adapted from DFAS (n.d.), "Military Compensation" (n.d.).

High-3					
Pay Grade	Years of Service	Final Pay	Monthly Retired Pay	Annual Retired Pay	Annuity Present Value
O-5	20	$8,617.20	$4,232.50	$50,790.00	$1,269,750.00
O-5	23.6	$8,876.40	$5,054.25	$60,651.00	$1,516,275.00
O-6	30	$11,094.90	$8,212.58	$98,550.90	$2,463,772.50

c. CSB/REDUX

The 1986 Military Retirement Reform Act (Redux) established a one-time $30,000 bonus for service members at their 15-year service mark. In exchange for the $30,000, service members accept a lower multiplier rate at any point lower than 30 years of service when compared to the Traditional or High-3 plans. A member who accepts the CSB accepts a 2% multiplier up to 20 years of service instead of the 2.5% multiplier under the High-3 system. A service member who retires at 20 years under CSB/REDUX will receive 40% of his or her highest three years of pay. From 20 years to 30 years of service, service members recoup a larger percentage of their retired multiplier factor than in the High-3 plan. Under CSB/REDUX, a service member will accrue a 3.5% per year multiplier rate until they meet their maximum at 30 years with 75% basic pay retirement. Table 15 depicts what a retiree would expect to receive per month in retirement pay under the CSB/REDUX Retirement Plan.

Table 15. CSB/REDUX Retirement Plan Monthly Annuity Expectation. Adapted from DFAS (n.d.), "Military Compensation" (n.d.).

CSB/REDUX					
Pay Grade	Years of Service	Final Pay	Monthly Retired Pay	Annual Retired Pay	Annuity Present Value
O-5	20	$8,617.20	$3,386.00	$40,632.00	$1,015,800.00
O-5	23.6	$8,876.40	$4,438.95	$53,267.40	$1,331,685.00
O-6	30	$11,094.90	$8,212.58	$98,550.90	$2,463,772.50

d. Blended

January 1, 2018, will usher in the new Blended Retirement System. Under this system, service members will receive Thrift Savings Plan (TSP) matching funds, in addition to accruing a reduced defined plan for those staying until retirement. The TSP acts like a civilian 401(k) or 403(b) employee contribution retirement plan. They will also accrue a reduced Defined Annuity Benefit retirement at 2% per year under the new plan instead of the 2.5% accrued under the Traditional and High-3 plans. Under the new plan, service members will receive 40% of their highest three years of pay if they stay to 20 years. Table 16 outlines the Defined Benefit portion of the Blended Retirement that a future retiree could expect in 2016 dollars.

Table 16. Blended Retirement Plan Monthly Annuity Expectation. Adapted from DOD (2016b).

Blended					
Pay Grade	Years of Service	Final Pay	Monthly Retired Pay	Annual Retired Pay	Annuity Present Value
O-5	20	$8,617.20	$3,386.00	$40,632.00	$1,015,800.00
O-5	23.6	$8,876.40	$4,043.40	$48,520.80	$1,213,020.00
O-6	30	$11,094.90	$6,570.06	$78,840.72	$1,971,018.00

As detailed in Figure 29 the main benefit to the Blended Retirement System is to the 83% of service members who do not stay until the 20-year retirement time. Those service members will be eligible to keep their TSP savings, including those accrued by the government matching funds after they have served a minimum of two years.

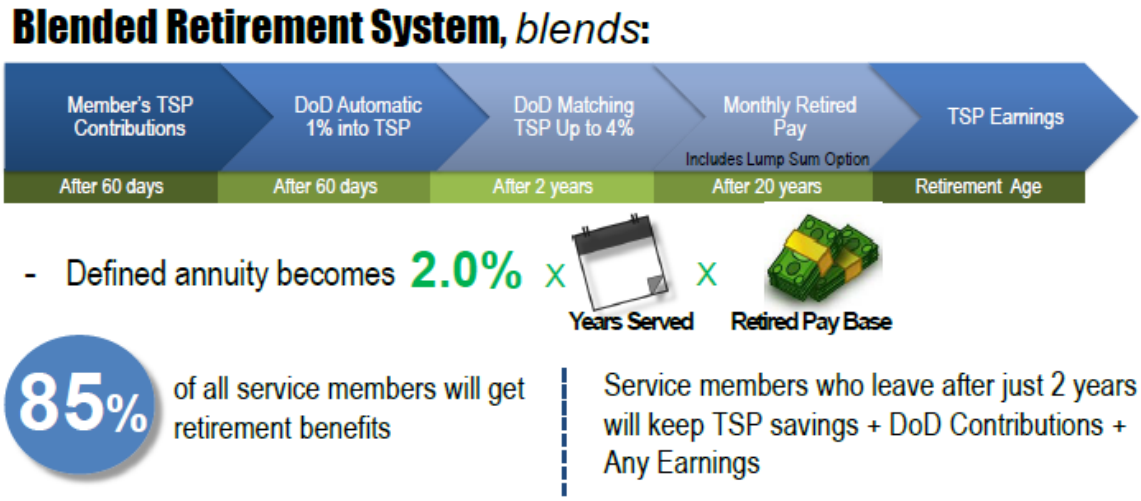

Figure 29. Blended Retirement System Overview. Source: DOD (2016b).

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APPENDIX B. RECAPTURING HC BY RANK AND YEAR

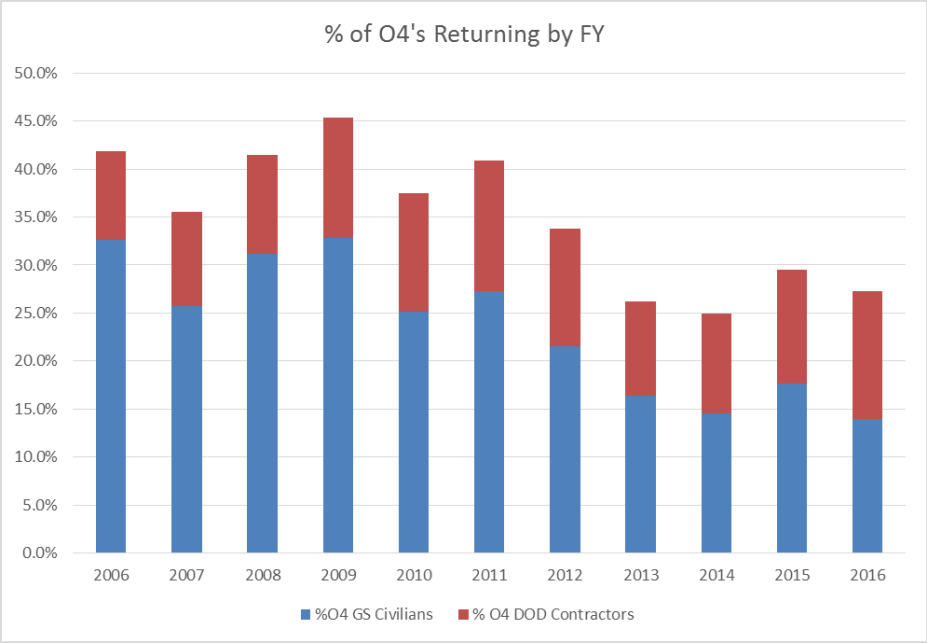


Figure 30. O-4 HCR3 by FY. Adapted from S. Seggerman, personal communication (October 12, 2016).

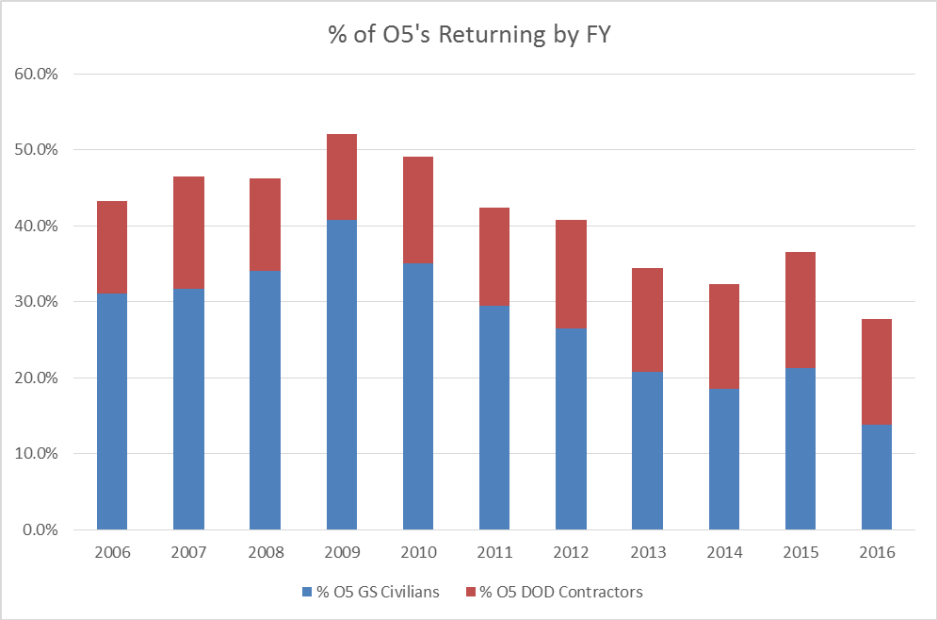


Figure 31. O-5 HCR3 by FY. Adapted from S. Seggerman, personal communication (October 12, 2016).

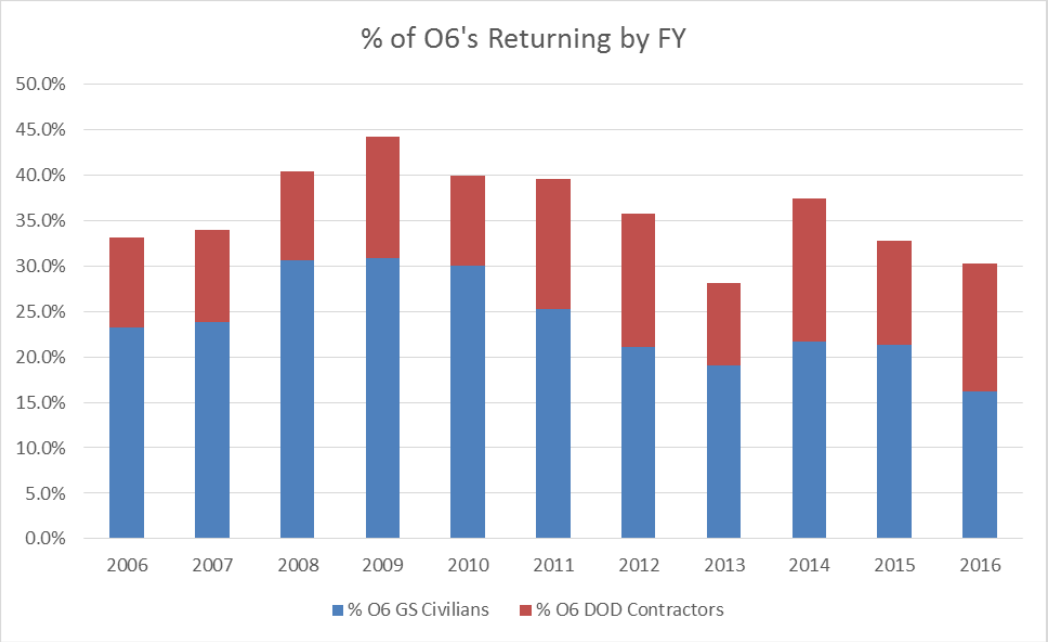


Figure 32. O-6 HCR3 by FY. Adapted from S. Seggerman, personal communication (October 12, 2016).

APPENDIX C. SHORTENING RETIREE RETURN TIME

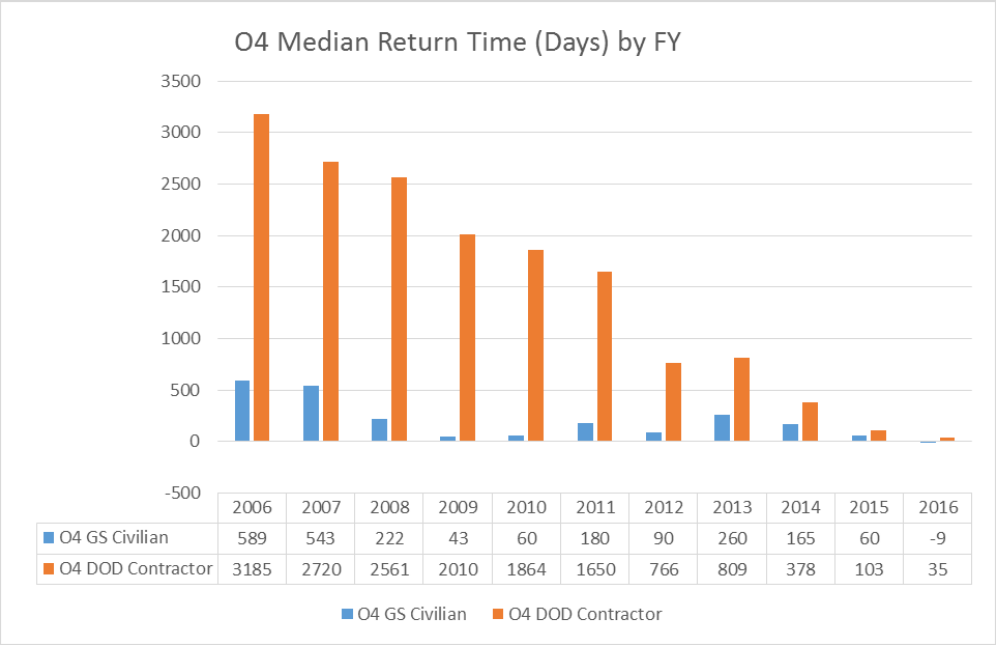


Figure 33. O-4 Median Return Time (Days) by FY. Adapted from S. Seggerman, personal communication (October 12, 2016).

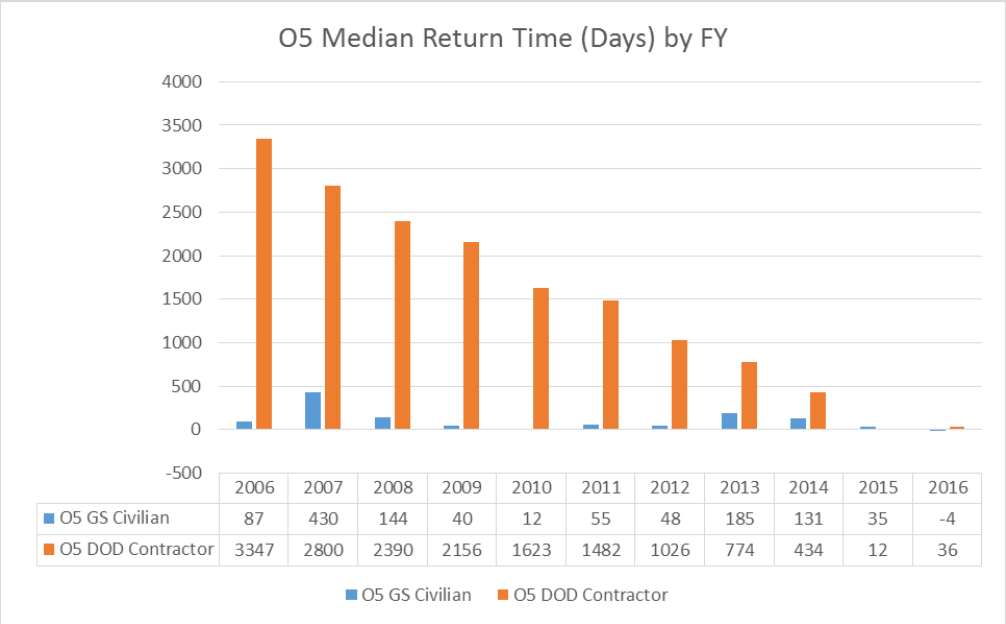
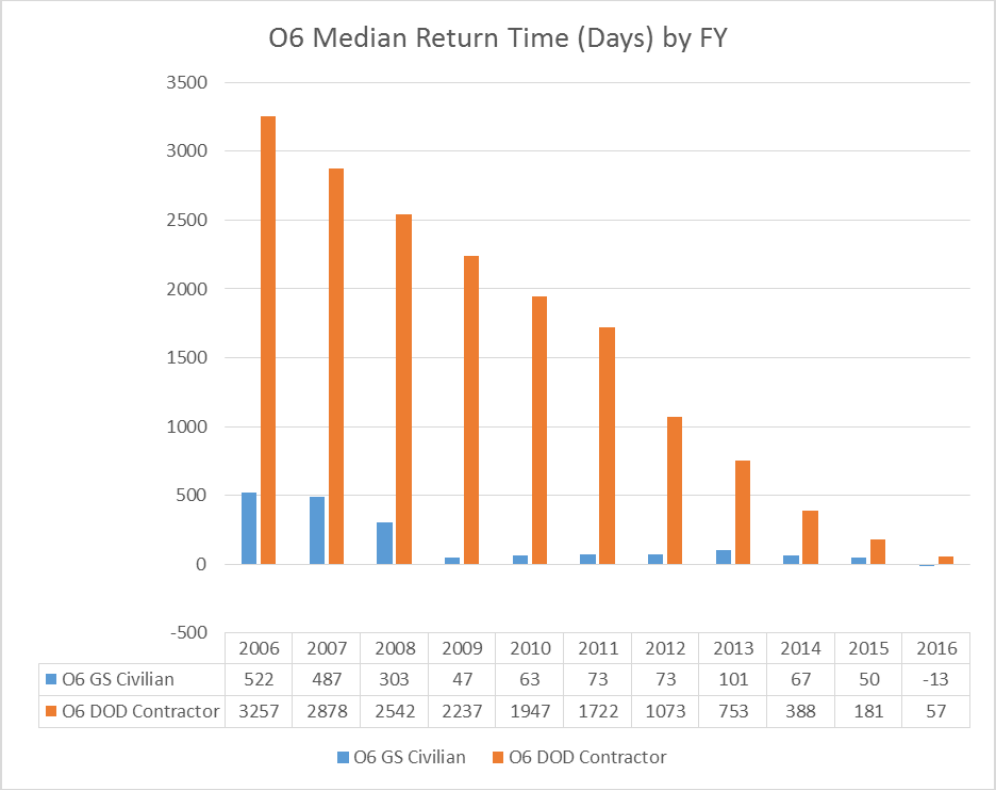


Figure 34. O-5 Median Return Time (Days) by FY. Adapted from S. Seggerman, personal communication (October 12, 2016).



	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
O6 GS Civilian	522	487	303	47	63	73	73	101	67	50	-13
O6 DOD Contractor	3257	2878	2542	2237	1947	1722	1073	753	388	181	57

Figure 35. O-6 Median Return Time (Days) by FY. Adapted from S. Seggerman, personal communication (October 12, 2016).

APPENDIX D. AGE AND YEARS OF SERVICE TRENDS

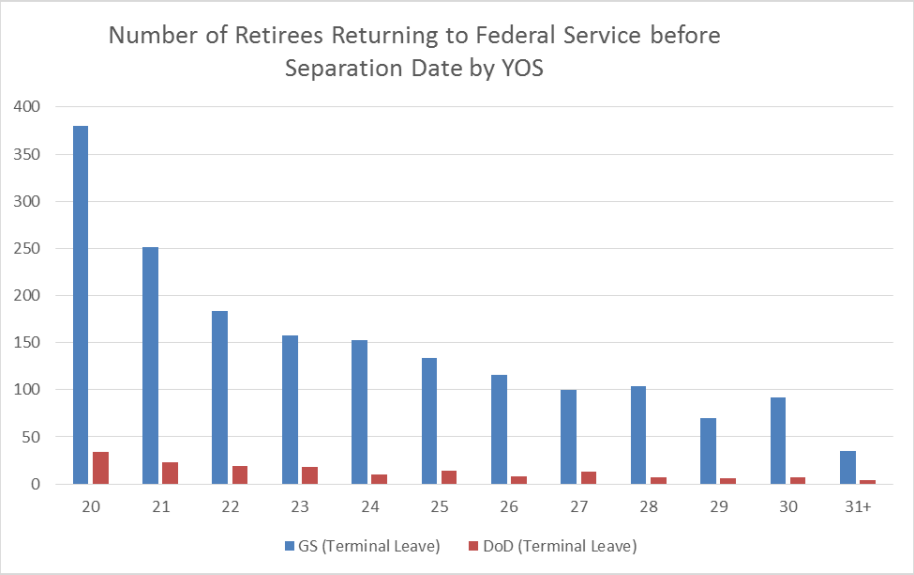


Figure 36. Retirees Returning to DOD before Separation Date by YOS. Adapted from S. Seggerman, personal communication (October 12, 2016).

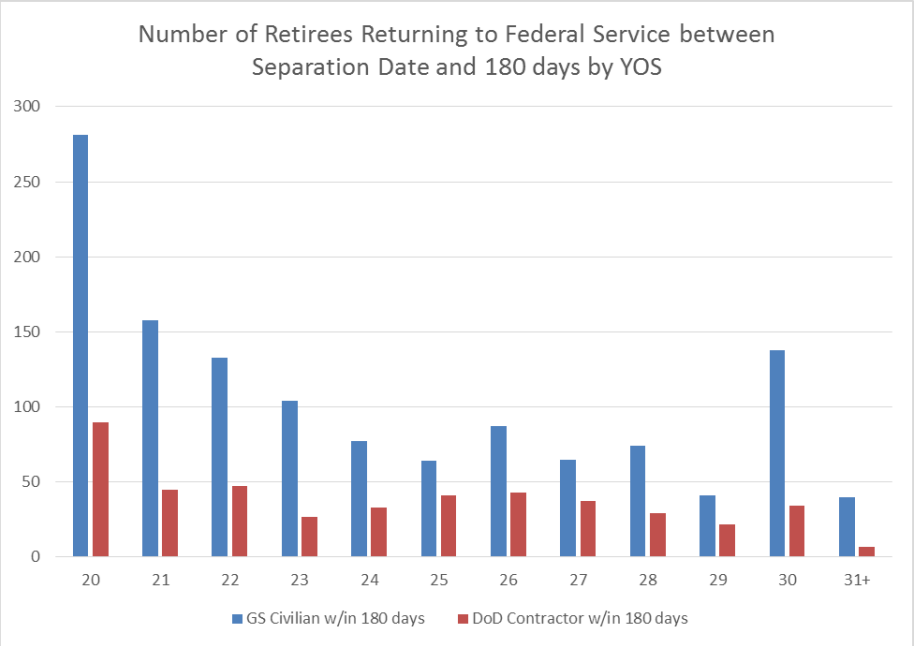


Figure 37. Retirees Returning to DOD before 180 Days by YOS. Adapted from S. Seggerman, personal communication (October 12, 2016).

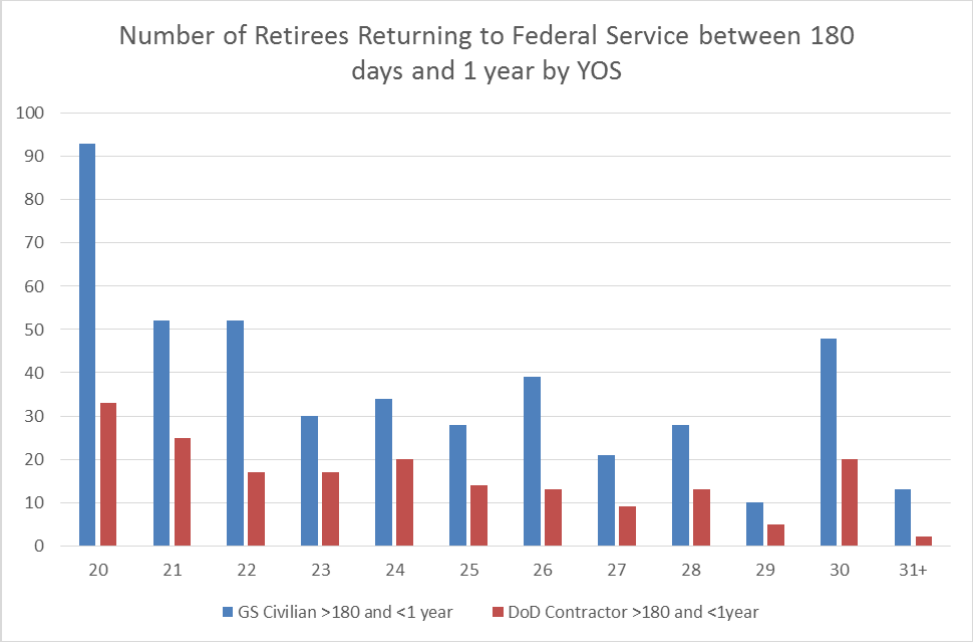


Figure 38. Retirees Returning to DOD between 180 Days and 1 Year by YOS. Adapted from S. Seggerman, personal communication (October 12, 2016).

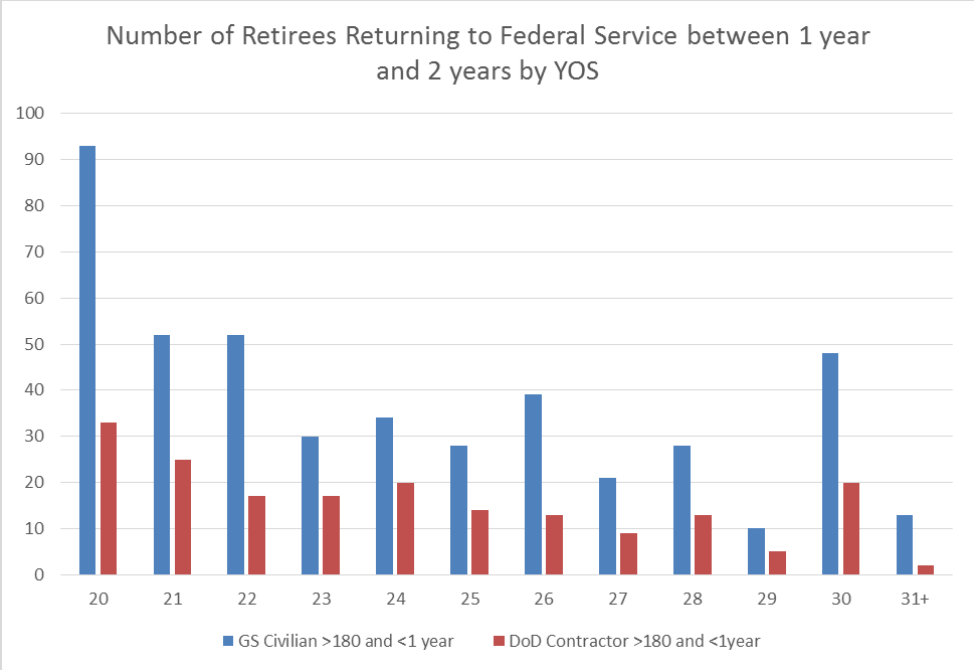


Figure 39. Retirees Returning to DOD between 1 and 2 Years by YOS. Adapted from S. Seggerman, personal communication (October 12, 2016).

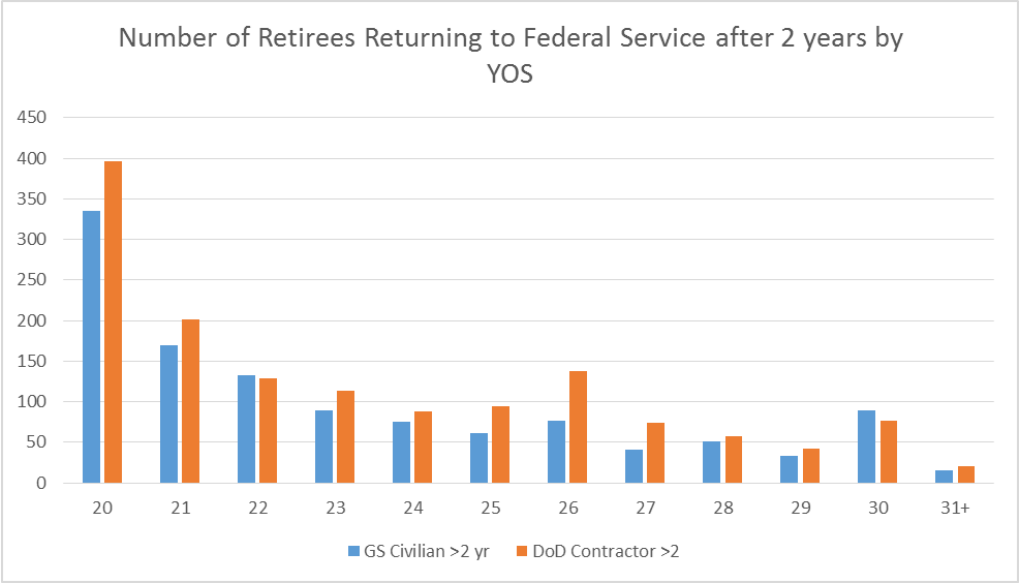


Figure 40. Retirees Returning to DOD after 2 Years by YOS. Adapted from S. Seggerman, personal communication (October 12, 2016).

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APPENDIX E. PERCENT OF RETIREES BY RANK

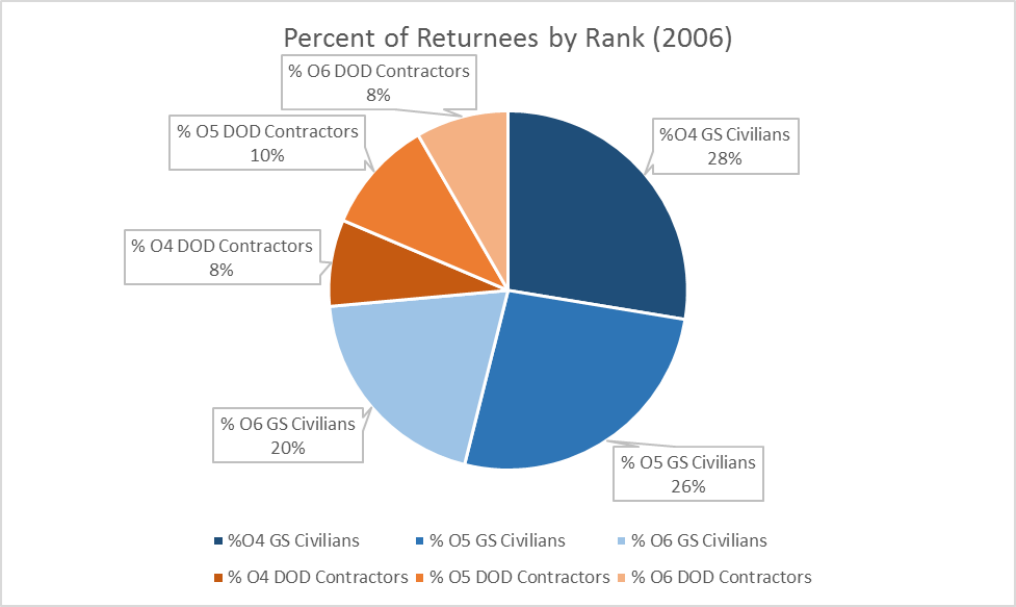

Figure 41. Percent of Returnees by Rank and Return Type in 2006. Adapted from S. Seggerman, personal communication (October 12, 2016).

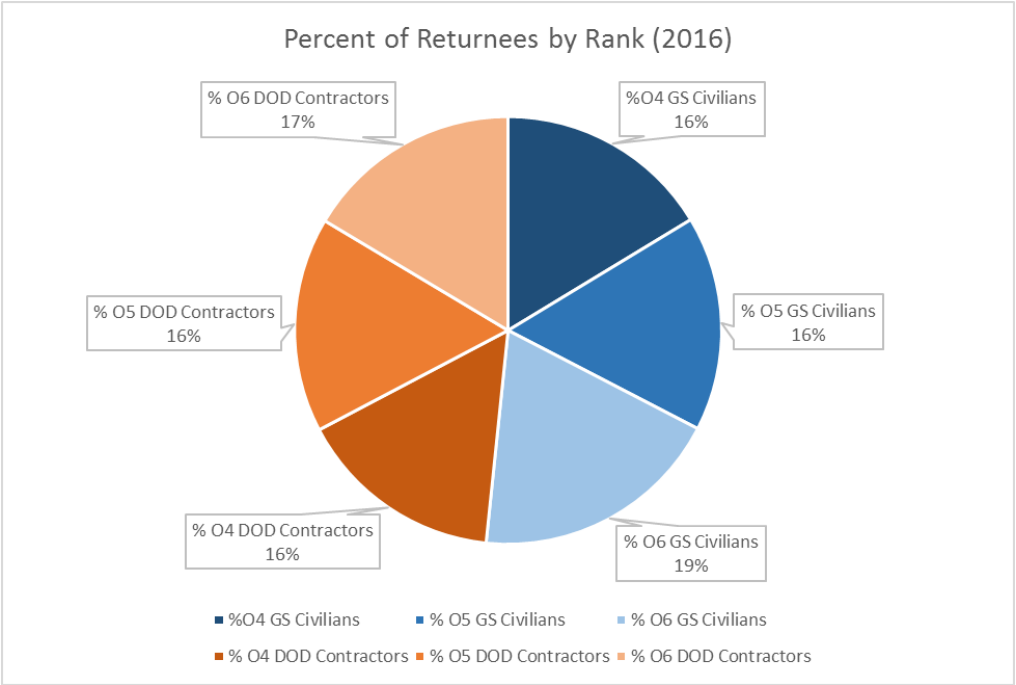

Figure 42. Percent of Returnees by Rank and Return Type in 2016. Adapted from S. Seggerman, personal communication (October 12, 2016).

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SUPPLEMENTAL. EXCEL DATA DEPICTING 2006-2016 ARMY MID-GRADE OFFICER RETIREES RE-EMPLOYMENT TRENDS

This separate supplemental data set lists Army mid-grade officer retirements from 2006 to 2016. Data includes all Active Duty officers who retired with 20 or more years of service. The raw data set was provided by DMDC in October, 2016. All data provided was current at that time. This data set also lists Army GS civilian hires and DOD contractors with valid common access card identification. Data set formatting allowed the authors to determine O-4 to O-6 Army officer retirement trends and their return rates to the Army as either GS civilians or DOD contractors.

Any individual interested in obtaining the supplemental data set should contact the Naval Postgraduate School Dudley Knox Library for assistance.

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